HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
JANUARY 27, 2016
APPLICATION SUMMARY

NAME OF PROJECT:	Reeves Eye Surgery Center
PROJECT NUMBER:	CN1510-046
ADDRESS:	2328 Knob Creek Road, Suite 500 Johnson City, (Washington County), TN 37604
LEGAL OWNER:	Reeves Eye Surgery Center, LLC 2328 Knob Creek Road, Suite 500 Johnson City, (Washington County), TN 37604
OPERATING ENTITY:	Not Applicable
CONTACT PERSON:	John Wellborn (615) 665-2022
DATE FILED:	October 15, 2015
PROJECT COST:	$175,881.00
FINANCING:	Commercial Loan
PURPOSE OF REVIEW:	The addition of interventional pain management services to a single specialty ambulatory surgical treatment center (ASTC)

DESCRIPTION:

Reeves Eye Surgery Center is seeking approval for the addition of pain management surgical services to its existing single specialty ambulatory surgical treatment center (ASTC) containing one operating room and one procedure room for laser surgery which is currently limited to ophthalmologic surgery procedures at 2328 Knob Creek Road, Suite 500, Johnson, City (Washington County), TN 37604.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

Ambulatory Surgical Treatment Centers (*Revised May 23, 2013*)

The following apply:

1. Need. The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need.[2] An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

   The applicant is projecting 1,787 total ophthalmology and pain management cases in Year One (2016) and 1,812 cases in Year Two (2017). Of the total cases in Year One and Year Two, the applicant projects 567 pain management cases in both years, or 31.7% and 31.3% of total, respectively. In the supplemental response, the applicant indicates the proposed pain management services must be performed in a sterile surgical room. The present procedure room is currently dedicated to laser surgery, and is too small for the equipment used for pain management cases.

   It appears this criterion has been met.

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

Based on an average of 22 total minutes per case, the projected surgical hours will be approximately 5.8 hours per week or 302 hours in Year One and Year Two.

It appears this criterion has been met.

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available[3]) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

   The applicant has provided a utilization table of all ASTCs in the proposed service area for 2012, 2013 and 2014. The table is located in table 5 page 23 of the application.

   It appears this criterion has been met.

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

   Note to Agency members:

   For a dedicated outpatient operating room:

   - ***Full Capacity is defined as 1,263 cases per year.***
   - ***Optimum Capacity is defined as 70% of full capacity, or 884 cases per year.***

There are a total of 7 multi-specialty (2 in Washington County and 5 in Sullivan County) ASTCs performing pain management in the service area representing a total of 24 ORs and 14 procedure rooms. The 7 multi-specialty ASTCs provided 4,574 pain management surgical cases representing 18.6% of overall surgical procedures in 2014 for multi-specialty ASTCs providing pain management services. HSDA staff calculated 2014 service area utilization at 55.4% (700 cases per room) of full capacity as defined as 1,263 cases per year. Optimum utilization capacity for operating rooms is defined as 884 Cases per Operating Room (70% of full capacity of 1,263 cases).

Since the multi-specialty ASTCs that perform pain management services are not meeting the optimum utilization standard, it appears that this criterion has not been met.

5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

567 pain management cases are projected in Year One and Year Two based on 12 days per month. All cases will be performed in an operating room. There are a total of 7 multi-specialty (2 in Washington County and 5 in Sullivan County) ASTCs performing pain management in the service area representing a total of 24 ORs and 14 procedure rooms. The 7 multi-specialty ASTCs provided 4,574 pain management surgical cases representing 18.6% of overall surgical procedures in 2014 for multi-specialty ASTCs providing pain management services. HSDA staff calculated 2014 service area utilization at 55.4% (700 cases per room) of full capacity as defined as 1,263 cases per year. Optimum utilization capacity for operating rooms is defined as 884 Cases per Operating Room (70% of full capacity of 1,263 cases).

Since the multi-specialty pain management ASTCs are not meeting the optimum utilization standard, it appears that this criterion has not been met.

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

   The majority of patients reside within 60 minutes of the facility.

   It appears this criterion has been met.

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available

   Johnson City public transportation is available.

   It appears this criterion has been met.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

   The majority of patients will originate in Sullivan, Washington and Hawkins Counties which constitute approximately 48% of Reeves Eye Surgery Center's patients (Sullivan - 20%; Washington – 17.2%; Hawkins – 11%). The applicant provided a patient origin chart on page 14 of supplemental #1.

   It appears this criterion has been met.

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All

assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Projected utilization pain management cases will average 142 in each of the first 8 quarters of the proposed project. The applicant assumes the projected annual utilization will be distributed evenly throughout the year.

It appears this criterion has been met.

10. Patient Safety and Quality of Care; Health Care Workforce.

a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care (AAAHC), the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

The applicant is accredited by the Joint Commission.

It appears this criterion has been met.

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

The facility is planned to be only used by Dr. Wayne Woodbury for pain management services and Dr. Donny Reeves for ophthalmic surgeries.

It appears this criterion has been met.

11. Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services

Administration;

The proposed service is not in an underserved medical area.

It appears this criterion has not been met.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

Since the applicant is not a hospital, this standard is not applicable to this proposed project.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant contracts with all TennCare MCOs that serve within the service area.

It appears this criterion has been met.

d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

Not applicable. The proposed pain management procedures will average 22 minutes.

STAFF SUMMARY

Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italic.

The applicant, Reeves Eye Surgery Center, an existing single specialty ophthalmology ambulatory surgical treatment center (ASTC), seeks approval to use its one operating room for pain management cases not requiring general anesthesia on days when it is not being used for eye surgery cases. The current ASTC schedules ophthalmic surgeries two days per week. Reeves Eye Surgery Center, LLC, is 100% owned by Dr. Donny Reeves, a board certified ophthalmologist.

If approved, Dr. Wayne Woodbury, a Board Certified Physical Medicine and Rehabilitation Specialist, will perform pain management procedures three days per week. Currently, Dr. Woodbury practices at the neurosurgery group, East Tennessee Brain and Spine, which has offices in Johnson City and Kingsport, TN. A resume of Dr. Woodbury is included in Attachment C, Need--1.A.3.

A majority of the pain management procedures will involve fluoroscopy-guided injections, which does not require significant equipment in the operating room. The applicant will purchase a C-arm fluoroscopic imaging unit, a 3-motion patient table, lead-shielding body protection equipment, and a RF (radio-frequency) generator.

Reeves Eye Surgery Center (CN1209-045A), was originally approved at the December 12, 2012 Agency meeting for the establishment of a single-specialty ASTC with one operating room designated for ophthalmologic ambulatory surgical cases and one procedure room designated for YAG laser services.

An overview of the project is provided on pages 5-6 of the original application.

Need

Reeves Eye Surgery Center and is basing the need for this project on the following:

- If approved, the utilization of the existing operating room at Reeves Eye Surgery Center will improve from 296 cases in 2014 to 1,495 cases in 2016.
- Enhance the financial feasibility of an existing surgical facility.
- Losses incurred by a large neurosurgical medical practice in performing under-reimbursed surgeries in their practice office will be reduced.

Ownership

- Reeves Eye Surgery Center, LLC is a Tennessee registered limited liability company (LLC) formed April 2, 2012.
- Reeves Eye Surgery Center, LLC is solely owned by Donny Reeves, MD.
- This application does not involve any change of ownership interests.

Facility Information

- The single specialty ASTC contains one sterile Class B operating room (allowing conscious sedation, but not general anesthesia); one YAG laser procedure room; a four station pre-op/holding/post-operative recovery area supervised by a nursing station; an exam room; a reception and waiting area; an office; and other support areas.

- A floor plan drawing is included in Attachment B.IV.—Floor Plan.

Equipment

- There is no major medical equipment involved with this project. The applicant will acquire a Fluoroscopy C-Arm for $69,900.00. A certificate of need is not required for this equipment since the cost is under $2,000,000.

Service Area Demographics

Reeves Eye Surgery Center's primary service area for pain management services will consist of Carter, Greene, Hawkins, Sullivan, and Washington counties in Tennessee, and Wise County in Virginia.

- The total population of the Tennessee service area is estimated at 477,713 residents in calendar year (CY) 2015 increasing by approximately 2.6% to 489,949 residents in CY 2019.
- The total 65+ age population is estimated at 93,818 residents in CY 2015 increasing approximately 11.0% to 104,101 residents in 2019.
- The overall statewide population is projected to grow by 3.7% from 2015 to 2019.
- The 65+ age population in the state of Tennessee overall is expected to increase 12.0% during the same timeframe.
- The latest 2015 percentage of the proposed service area population enrolled in the TennCare program is approximately 20.7%, as compared to the statewide enrollment proportion of 18.7%.

Source: The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics.

Service Area Historical Utilization

The two following utilization tables concern multi-specialty ASTCs performing pain management services. The one single specialty pain management ASTC in the service area is not included in these two tables since it only has procedure rooms which have a utilization standard different from operating rooms. All pain management procedures for the proposed project will be performed in an operating room :

Historical Capacity and Utilization of Multi-Specialty ASTCs within 5 Co. Service Area

			2013 (Final)	2014 (Final)	
County	**ASTC**	**OR. Rms**	**Cases**	**Cases**	**% change 13'-14'**
Washington	East TN Ambulatory Surgery Center	4	2,660	2,453	-7.7%
Washington	Mountain Empire Surgery Center	4	1,354	4,932	+264%
Washington	Johnson City Med. Center Ambulatory Surgery	8	5,141	*	N/A
Sullivan	Bristol Surgery Center	4	2,225	2,006	-9.8%
Sullivan	Holston Valley Surgery Center	4	1,337	3,279	145%
Sullivan	Kingsport Ambulatory Surgery Center	4	2,196	2,326	+5.9%
Sullivan	Renaissance Surgery Center	2	364	270	-25.8%
Sullivan	Sapling Grove Ambulatory Surgery Center	2	2,496	1,555	-37.7%
	Total Outpatient Cases		17,773	16,821	-5.4%
	Cases per OR		555	701	+26%

Source: Tennessee Department of Health, Division of Health Statistics, 2013-2014 Joint Annual Reports
**Johnson City Medical Center Ambulatory Surgery Center surrendered its license in July 2013*

- In 2014 there were seven multi-specialty ASTCs in the service area providing pain management services. There were eight in 2013. Johnson City Medical Center ASTC surrendered its license in July 2013.
- Total multi-surgical cases decreased 5.4% from 17,773 in 2013 to 16,821 in 2014.
- 26% increase overall in cases per OR in multi-specialty ASTCs providing pain management services from 555 in 2013 to 701 in 2014. The 2014 calculation does not include the 8 OR Johnson City Medical Center ASTC that surrendered its license in July 2013.

2014 Service Area Multi-Specialty Utilization Analysis

County	ASTC	# Operating Rooms	Operating Room Cases	% of 884 OR Standard
Washington	East TN Ambulatory Surgery Center	4	2,453	69.3%
Washington	Mountain Empire Surgery Center	4	4,932	139%
Sullivan	Bristol Surgery Center	4	2,006	56.7%
Sullivan	Holston Valley Surgery Center	4	3,279	92.7%
Sullivan	Kingsport Ambulatory Surgery Center	4	2,326	65.8%
Sullivan	Renaissance Surgery Center	2	270	15.3%
Sullivan	Sapling Grove Ambulatory Surgery Center	2	1,555	88%
	Service Area Totals	**24**	**16,821**	**79.3%**
	Cases per OR		**701**	

Source: Tennessee Department of Health, Division of Health Statistics, 2014 Joint Annual Reports

- 2014 service area utilization calculated at 79.3% of the 884 Cases per Operating Room standard as the baseline numbers for purposes of determining need as a percentage of optimum utilization.
- Cases per multi-specialty OR calculated at 701 (884 optimum utilization standard), 20% below the optimum utilization standard.

Note to Agency Members: There is one single specialty ASTC in the service area, PMA Surgery Center, which reported serving 2,060 patients (cases) in two procedure rooms in 2014. The optimal utilization standard for procedure rooms is 1,867 cases meaning that PMA Surgery Center operated at approximately 55% of the procedure room utilization standard.

Pain Management (PM) Utilization Trends of ASTCs within Service Area

County	ASTC	ASTC Type	2012 PM Cases	2013 PM Cases	2014 PM Cases	% change 12'-14'
Washington	East TN Ambulatory Surgery Center	Multi-Specialty	186	59	83	-55.4%
Washington	Mountain Empire Surgery Center	Multi-Specialty	1,214	1,109	941	-22.5%
Washington	Johnson City Med. Center Ambulatory Surgery	Multi-Specialty	107	61	NA	NA
Washington	PMA Surgery Center	Single Specialty	2,606	2,177	2,060	-21.0%
Sullivan	Bristol Surgery Center	Multi-Specialty	1,374	1,402	1,198	-12.8%
Sullivan	Holston Valley Surgery Center	Multi-Specialty	1,116	375	601	-46.1%
Sullivan	Kingsport Ambulatory Surgery Center	Multi-Specialty	1,215	891	664	-45.3%
Sullivan	Renaissance Surgery Center	Multi-Specialty	1,202	1,117	1,022	-15.0%
Sullivan	Sapling Grove Ambulatory Surgery Center	Multi-Specialty	174	163	65	-62.6%
TOTAL			9,194	7,354	6,634	-27.8%

Source: Tennessee Department of Health, Division of Health Statistics, 2012-2014 Joint Annual Reports

- The chart above indicates that pain management procedures at ASTCs have declined significantly between 2012 and 2014
- All ASTCs in the service area providing pain management services experienced declines in utilization ranging from 12.8% to 62.6%
- Overall for ASTCs in Sullivan and Washington Counties, pain management utilization declined 27.8%

Applicant's Historical and Projected Utilization

The applicant's historical and projected utilization for the most recent full calendar year (CY) periods is provided in the table below.

RESC Historical and Projected Utilization, CY 2014-CY2017

	2014	2015	% Change 14-15	Year One 2016	Year Two 2017
Ophthalmology in OR	296	731	+147%	928	948
Ophthalmology in PR (Yag Laser)	93	231	+148%	292	297
Total Ophthalmology	389	962	+147%	1,220	1,245
Pain Management				567	567
Total Cases	389	962		1,787	1,812
Total OR Cases	296	731		1,495	1,515

Note to Agency members: In the original application the applicant reported that all ophthalmology cases were being performed in the operating room. The applicant filed a letter on February 13, 2016 indicating that Yag Laser cases were inadvertently included in the operating room volumes but are actually performed in the procedure room. Even with the reduced operating room volumes, the number of operating room cases being projected (1,495 cases in Year 1 and 1,515 cases in Year 2) still exceed the operating room optimal utilization standard of 884 cases. The February 13 letter can be found at the back of this packet labeled as "Additional Information". It includes a replacement page 24 of the application.

The table above reflects the following:

- Utilization increased by 147% from CY 2014 to CY 2015.
- The applicant projects an 88.4% increase in utilization from 962 cases in CY 2015 to 1,812 cases in Year 2 of the project.

Project Cost

Major costs are:

- Legal, Administrative, and Consultant Fees- $45,000, or 25.6% of cost.
- Moveable Equipment - $127,881, or 72.7% of cost, which includes a C Arm at a cost of $69,900.
- For other details on Project Cost, see the Project Cost Chart on page 27 of the application.

Financing

- The applicant intends to finance the project through a commercial bank loan from First Citizens Bank of Johnson City, Tennessee.
- A copy of a letter from the Market Executive of First Citizens Bank, indicating the bank's interest in providing a 5 year, $175,000 loan at 3.05% interest to the Reeves Eye Surgery Center is located in Attachment C, Economic Feasibility – 2.

Historical Data Chart

Highlights of the Historical Data Chart in the application reflect the following:

- Gross operating revenue was $1,880,624 on 389 cases in CY2014 increasing by 114% to $4,038,373 on 962 cases in CY2015 ($4,197/case).
- Net operating income (NOI) less capital expenditures in the amount of ($351,209) in 2014 and ($51,211) in 2015.

Projected Data Chart

The applicant projects $9,615,098.00 in total gross revenue on 1,787 cases during the first year of operation and $9,763,143 on 1,812 cases in Year Two (approximately $5,388 per case). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal $62,437 in Year One increasing to $68,776 in Year Two.
- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach $1,167,263 or approximately 12% of total gross revenue in Year Two.
- Charity care at approximately 1.0% of total gross revenue in Year One and in Year Two equaling to $83,889 and $85,177, respectively.
- Charity Care calculates to 15.58 cases in Year One and 15.81 cases in Year Two.

Charges

In Year One of the proposed project, the average charges are as follows:

- The proposed average gross charge is $5,380/case in 2016.
- The average deduction is $4,737/case, producing an average charge of $644/case.

Payor Mix

- TennCare/Medicaid-Charges will equal $1,278,358 in Year One representing 13.3% of total gross revenue.
- Medicare - Charges will equal $3,438,358 representing 35.8% of total gross revenue.
- The applicant contracts with all TennCare Managed Care Organizations that serve the region.
- The projected gross operating revenue by payor mix is shown in the table below.

- **Applicant's Payor Mix, Year 1**

Payor Source	Gross Operating Revenue	As a % of Total
Medicare	$3,438,358	35.8%
TennCare	$1,278,808	13.3%
Blue Cross	$1,267,077	13.49%
Commercial	$3,262,403	33.93%
Self-Pay	$147,111	1.53%
Charity	$84,613	0.88%
Other	$106,728	1.11%
Total Gross Revenue	**$9,615,098**	**100%**

Source: CN1510-046

Staffing

The applicant's proposed direct patient care staffing in Year One includes the following:

Position Type	Current FTEs	Year One FTEs
Registered Nurse	1.15	1.54
Licensed Practical Nurse	1.0	1.0
Central Sterile Processor	0.24	0.40
Registration Radiology Technologist	0.00	0.25
Total	**2.39**	**3.19**

Source: CN1510-046

Licensure/Accreditation
Reeves Eye Surgery Center is licensed by the Tennessee Department of Health, Division of Health Care Facilities, and is accredited by the Joint Commission.

The latest Department of Health licensure survey was conducted on January 6-8, 2014 with no deficiencies. In addition, the latest Joint Commission survey was conducted on September 10-11, 2014. Copies of both surveys are located in the Attachment C, Orderly Development—7 (C).

Corporate documentation, real estate lease, and detailed demographic information are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in **two** years. The applicant seeks to initiate pain management services in the ASTC on February 1, 2016.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates for other health care organizations in the service area proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME 1/05/2016

LETTER OF INTENT

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Johnson City Press, which is a newspaper of general circulation in Washington County, Tennessee, on or before Saturday, October 10, 2015, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Reeves Eye Surgery Center (an ambulatory surgical treatment center), owned and managed by Reeves Eye Surgery Center, LLC (a limited liability company), intends to file an application for a Certificate of Need to initiate pain management surgical services in its existing facility at 2328 Knob Creek Road, Suite 500, Johnson City, Tennessee 37604, at a project cost estimated at $176,000.

The applicant facility is licensed by the Board for Licensing Health Care Facilities, Tennessee Department of Health, as a single-specialty ambulatory surgical treatment center limited to ophthalmology. It has one (1) operating room and one (1) laser procedure room. The project does not require construction, does not add surgical room capacity, and does not contain major medical equipment or initiate or discontinue any health service other than pain management.

The anticipated date of filing the application is on or before October 15, 2015. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

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John H. Wellborn 10-6-15 jwdsg@comcast.net

(Signature) (Date) (E-mail Address)

COPY

REEVES EYE SURGERY CENTER

CN1510-046

REEVES EYE SURGERY CENTER
JOHNSON CITY

CERTIFICATE OF NEED APPLICATION
TO ADD
PAIN MANAGEMENT SERVICES

Filed October 2015

PART A

1. Name of Facility, Agency, or Institution

Reeves Eye Surgery Center		
Name		
2328 Knob Creek Road, Suite 500		Washington
Street or Route		*County*
Johnson City	TN	37604
City	*State*	*Zip Code*

2. Contact Person Available for Responses to Questions

John Wellborn		Consultant	
Name		*Title*	
Development Support Group		jwdsg@comcast.net	
Company Name		*E-Mail Address*	
4219 Hillsboro Road, Suite 210	Nashville	TN	37215
Street or Route	*City*	*State*	*Zip Code*
CON Consultant	615-665-2022	615-665-2042	
Association With Owner	*Phone Number*	*Fax Number*	

3. Owner of the Facility, Agency, or Institution

Reeves Eye Surgery Center, LLC		423-722-1311
Name		*Phone Number*
Same as in #1 above		
Street or Route		*County*
Same as in #1 above		
City	*State*	*Zip Code*

4. Type of Ownership or Control (Check One)

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	x
D. Corporation (For-Profit)		I. Other (Specify):	
E. Corporation (Not-for-Profit)			

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS

5. *Name of Management/Operating Entity (If Applicable)* NA

Name

Street or Route *County*

City *State* *Zip Code*

6. *Legal Interest in the Site of the Institution (Check One)*

A. Ownership	x	D. Option to Lease	
B. Option to Purchase		E. Other (Specify):	
C. Lease of ___Years			

7. *Type of Institution (Check as appropriate—more than one may apply)*

A. Hospital (Specify): General		I. Nursing Home	
B. Ambulatory Surgical Treatment Center (ASTC) Multi-Specialty		J. Outpatient Diagnostic Center	
C. ASTC, Single Specialty	x	K. Recuperation Center	
D. Home Health Agency		L. Rehabilitation Center	
E. Hospice		M. Residential Hospice	
F. Mental Health Hospital		N. Non-Residential Methadone	
G. Mental Health Residential Faclity		O. Birthing Center	
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)		P. Other Outpatient Facility (Specify):	
		Q. Other (Specify):	

8. *Purpose of Review (Check as appropriate—more than one may apply*

A. New Institution		G. Change in Bed Complement Please underline the type of Change: Increase, Decrease, Designation, Distribution, Conversion, Relocation	
B. Replacement/Existing Facility		H. Change of Location	
C. Modification/Existing Facility		I. Other (Specify):	
D. Initiation of Health Care Service as defined in TCA Sec 68-11-1607(4) (Specify)		Expand authorized scope of service of an existing ophthalmic ASTC to include pain management	x
E. Discontinuance of OB Service			
F. Acquisition of Equipment			

9. *Bed Complement Data* *Not applicable*

(Please indicate current and proposed distribution and certification of facility beds.)

	Current Licensed Beds	CON approved beds (not in service)	Staffed Beds	Beds Proposed (Change)	TOTAL Beds at Completion
A. Medical					
B. Surgical					
C. Long Term Care Hosp.					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolesc. Psych.					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid certified)					
M. Nursing Facility Lev. 1 (Medicaid only)					
N. Nursing Facility Lev. 2 (Medicare only)					
O Nursing Facility Lev. 2 (dually certified for Medicare & Medicaid)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child/Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL					

10. Medicare Provider Number:	44-COO01185
Certification Type:	ASTC
11. Medicaid Provider Number:	1533872
Certification Type:	ASTC

12. & 13. See page 4

A.12. IF THIS IS A NEW FACILITY, WILL CERTIFICATION BE SOUGHT FOR MEDICARE AND/OR MEDICAID?

This is an existing facility that is certified for both Medicare and Medicaid participation.

A.13. IDENTIFY ALL TENNCARE MANAGED CARE ORGANIZATIONS / BEHAVIORAL HEALTH ORGANIZATIONS (MCO'S/BHO'S) OPERATING IN THE PROPOSED SERVICE AREA. WILL THIS PROJECT INVOLVE THE TREATMENT OF TENNCARE PARTICIPANTS? Yes IF THE RESPONSE TO THIS ITEM IS YES, PLEASE IDENTIFY ALL MCO'S WITH WHICH THE APPLICANT HAS CONTRACTED OR PLANS TO CONTRACT.

DISCUSS ANY OUT-OF-NETWORK RELATIONSHIPS IN PLACE WITH MCO'S/BHO'S IN THE AREA.

The applicant contracts with all of the Tennessee MCO's operating in its service area. They are listed in Table One below.

Table One: Contractual Relationships with Service Area MCO's	
Available TennCare MCO's	**Applicant's Relationship**
AmeriGroup	contracted
BlueCare	contracted
United Healthcare Community Plan	contracted
TennCare Select	contracted

SECTION B: PROJECT DESCRIPTION

B.I. PROVIDE A BRIEF EXECUTIVE SUMMARY OF THE PROJECT NOT TO EXCEED TWO PAGES. TOPICS TO BE INCLUDED IN THE EXECUTIVE SUMMARY ARE A BRIEF DESCRIPTION OF PROPOSED SERVICES AND EQUIPMENT, OWNERSHIP STRUCTURE, SERVICE AREA, NEED, EXISTING RESOURCES, PROJECT COST, FUNDING, FINANCIAL FEASIBILITY AND STAFFING.

Proposed Services and Equipment

• The Reeves Eye Surgery Center in Johnson City is a single-specialty ophthalmology ambulatory surgical treatment center ("ASTC"). It serves only the patients of Dr. Donny Reeves, an established ophthalmologist in the Tri-Cities area. It opened in January 2014, pursuant to CN1209-045. In addition to serving adult patients, Dr. Reeves is a major provider of pediatric ophthalmology services to TennCare children. He takes Emergency Room call at the Niswonger Children's Hospital in Johnson City.

• The Reeves ASTC has one operating room ("O.R.") The O.R. is used for ophthalmology cases only part of the week, because on other days the ophthalmologist must see patients in the office. This application requests CON approval for Dr. Reeves' ASTC to use its operating room for pain management cases not requiring general anesthesia, on days when it is not being used for eye surgery cases. Adding pain management cases will require only minimal additional equipment: a C-arm fluoroscopic unit with related shielding, and an O.R. table for use with the C-arm, and a radiofrequency generator.

Ownership Structure

• The applicant facility is wholly owned by the Reeves Eye Surgery Center, LLC, whose only member (owner) is Dr. Reeves. He does not own any interest in any other licensed facility. This project will not change the current facility ownership or the membership interest in the owning LLC.

Service Area

• The Tennessee primary service area for pain management services will consist of Washington, Sullivan, Hawkins, Greene, and Carter Counties. Except for Hawkins County, this is also the primary service area for eye surgery services.

Need

• Because the project will not add a facility or any surgical rooms to the service area, it is not subject to any State Health Plan criteria for expansion of ASTC capacity.

• The project is needed because it will (a) improve utilization of surgical room capacity already in place (a State Health Plan goal), (b) enhance the financial feasibility of an established surgical facility (a CON review criterion), and (c) reduce losses being incurred by a large neurosurgical medical practice in performing these under-reimbursed surgeries in the practice office.

• Because the project is moving cases from a physician group practice office into a licensed facility, the project cannot adversely impact any existing facility. Nor will it adversely impact payors, because if the Reeves facility is not approved to accept these cases, they will simply be moved to some other surgery center in the area that already has approval for pain management or multi-specialty cases, where payors will be paying the same reimbursement as they would have paid to the Reeves facility.

Existing Resources

• In the 2014 Joint Annual Reports, eight ambulatory surgical treatment facilities in the Tennessee primary service area reported performing pain management cases.

Project Cost, Funding, Financial Feasibility

• The cost of the project is estimated at only $175,881. This will be financed by a 100% loan from a local bank.

• In 2015, the Reeves Eye Surgery Center has operated with a positive cash flow and a positive operating margin. Caseloads are increasing and the Center will continue to be financially feasible. If this application is approved, the additional revenues from pain management cases will strengthen the facility's financial feasibility.

Staffing

• The ASTC's operating room currently schedules ophthalmic surgeries on two days per week, using staff contracted from Dr. Reeve's ophthalmology practice office. The addition of pain management cases on other days per week will require only 1.81 additional FTE's. Only one radiologic technologist needs to be employed; the other new FTE hours will come from staff already employed in Dr. Reeves' practice office and already subcontracted part of the week to the applicant surgery center.

B.II. PROVIDE A DETAILED NARRATIVE OF THE PROJECT BY ADDRESSING THE FOLLOWING ITEMS AS THEY RELATE TO THE PROPOSAL.

B.II.A. DESCRIBE THE CONSTRUCTION, MODIFICATION AND/OR RENOVATION OF THE FACILITY (EXCLUSIVE OF MAJOR MEDICAL EQUIPMENT COVERED BY T.C.A. 68-11-1601 *et seq.)* INCLUDING SQUARE FOOTAGE, MAJOR OPERATIONAL AREAS, ROOM CONFIGURATION, ETC.

Not applicable; no construction, modification, or renovation is proposed.

APPLICANTS WITH HOSPITAL PROJECTS (CONSTRUCTION COST IN EXCESS OF $5 MILLION) AND OTHER FACILITY PROJECTS (CONSTRUCTION COST IN EXCESS OF $2 MILLION) SHOULD COMPLETE THE SQUARE FOOTAGE AND COSTS PER SQUARE FOOTAGE CHART.

UTILIZING THE ATTACHED CHART, APPLICANTS WITH HOSPITAL PROJECTS SHOULD COMPLETE PARTS A-E BY IDENTIFYING, AS APPLICABLE, NURSING UNITS, ANCILLARY AREAS, AND SUPPORT AREAS AFFECTED BY THIS PROJECT. PROVIDE THE LOCATION OF THE UNIT/SERVICE WITHIN THE EXISTING FACILITY ALONG WITH CURRENT SQUARE FOOTAGE, WHERE, IF ANY, THE UNIT/SERVICE WILL RELOCATE TEMPORARILY DURING CONSTRUCTION AND RENOVATION, AND THEN THE LOCATION OF THE UNIT/SERVICE WITH PROPOSED SQUARE FOOTAGE. THE TOTAL COST PER SQUARE FOOT SHOULD PROVIDE A BREAKOUT BETWEEN NEW CONSTRUCTION AND RENOVATION COST PER SQUARE FOOT. OTHER FACILITY PROJECTS NEED ONLY COMPLETE PARTS B-E.

Not applicable; no construction is proposed.

PLEASE ALSO DISCUSS AND JUSTIFY THE COST PER SQUARE FOOT FOR THIS PROJECT.

Not applicable; no construction is proposed.

IF THE PROJECT INVOLVES NONE OF THE ABOVE, DESCRIBE THE DEVELOPMENT OF THE PROPOSAL.

Scope of the Project

The project is for the addition of pain management surgery to the authorized scope of service of the Reeves Eye Surgery Center, which is located in Johnson City, in Washington County. This will not require any construction. The facility's single operating room, which is currently used only on two days per week, will be used for pain management cases on weekdays when no eye surgery cases are scheduled. A small amount of equipment will be needed in the O.R. to support pain management surgery. No level of anesthesia is needed other than what is already in use at the facility.

Changes in the Medical Staff

The facility proposes to grant surgical privileges only to Board-certified physicians qualified to perform pain management procedures. The physician seeking privileges at the facility is Dr. Wayne Woodbury, a Board-Certified Physical Medicine and Rehabilitation specialist. Dr. Woodbury has an established pain management practice in the service area. He is the pain management specialist in the region's largest neurosurgery group, East Tennessee Brain and Spine, which has offices in Johnson City and Kingsport. His resume is provided in this application's Attachment C, Need--1.A.3. Dr. Woodbury graduated Magna Cum Laude (Microbiology) from Arizona State University, and earned his M.D. at the Medical College of Wisconsin Affiliated Hospitals, where he also served his Internship and Residency. He is contracted with all area TennCare MCO's and also with Virginia Medicaid. He also serves Kentucky and North Carolina Medicaid patients out of contract.

The project does not involve any change of ownership interests. Reeves Eye Surgery Center, LLC, the owner of this facility, is wholly owned by Dr. Donny Reeves, who has been in practice in the area since 2004.

Dr. Reeves is Board-certified in Ophthalmology. He received his M.D. from the University of Utah, completed internship at the Bassett Hospital in Cooperstown, NY (an affiliate of Columbia University), and completed residency at the University of Wisconsin Hospital and Clinics system, where he was Chief Resident. He has privileges at both Holston Valley Medical Center in Sullivan County, and Johnson City Medical Center in Washington County. He provides ophthalmic coverage for the regional Children's Emergency Department at Niswonger Children's Hospital in Johnson City (one of six national affiliates of St. Jude Children's Hospital in Memphis).

Dr. Reeves graduated from the U.S. Army Air Assault School and the Army Airborne School, and was on active duty in Afghanistan in 2004-2005, completing his tours with the rank of Captain. He remains a Reserve Officer in the Medical Corps today, and was one of 24 junior officers nationwide who received the Douglas MacArthur Leadership Award in 1997. He received the Army Commendation Medal and was Utah's Army Reserve Officer of the Year in 1998. He received the University of Utah School of Medicine Community Service Award in 1999.

Project Costs and Financing

Most pain management procedures involve fluoroscopy-guided injections, which do not require significant equipment in the O.R. The only capital costs required--other than the costs of the CON process itself--will be only $127,000 to purchase the following equipment:

(1) a C-arm fluoroscopic imaging unit;

(2) A 3-motion patient table for fluoroscopic-assisted pain management surgery;

(3) lead-shielded aprons, eyewear, and thyroid collar to protect patients and staff;

(4) an RF (radio-frequency) generator.

The total project cost for CON purposes, including the cost of the CON process, is estimated at $175,881. This will be funded by a loan from a local bank, whose letter of interest is provided in Attachment C, Economic Feasibility--2.

B.II.B. IDENTIFY THE NUMBER AND TYPE OF BEDS INCREASED, DECREASED, CONVERTED, RELOCATED, DESIGNATED, AND/OR REDISTRIBUTED BY THIS APPLICATION. DESCRIBE THE REASONS FOR CHANGE IN BED ALLOCATIONS AND DESCRIBE THE IMPACT THE BED CHANGE WILL HAVE ON EXISTING SERVICES.

Not applicable.

B.II.C. AS THE APPLICANT, DESCRIBE YOUR NEED TO PROVIDE THE FOLLOWING HEALTH CARE SERVICES (IF APPLICABLE TO THIS APPLICATION):

1. **ADULT PSYCHIATRIC SERVICES**
2. **ALCOHOL AND DRUG TREATMENT ADOLESCENTS >28 DAYS**
3. **BIRTHING CENTER**
4. **BURN UNITS……. (other services on the list omitted)**

None of the listed services is being initiated. The project need is based on:

(1) the inevitable relocation of certain types of pain management procedures out of physician practice offices into a licensed facility; and on

(2) improved annual utilization for the existing operating room at the Reeves Eye Surgery Center, consistent with the State Health Plan's objective of high efficiency use of existing surgical capacity.

For a large group of pain management procedures, the increasing cost of providing them at the practice office (supplies; equipment) is no longer fully offset by reimbursement available to the practice. Physicians incur financial losses from performing them in their offices. However, the higher reimbursement available to a surgery center or hospital for those procedures will cover the licensed facility's costs. By relocating the procedure, the physician eliminates a financial loss for the medical practice, and improves the financial strength of the licensed facility.

Most pain management physicians have already moved such procedures out of their practice offices into a licensed surgical facility (typically an ambulatory surgery center). The surgery center is willing to accept these cases because its facility fee will typically cover its costs and provide a small operating margin. For example, in FYE2014,

approximately 26% of the total cases performed in seven area surgery centers were pain management cases--a total of 6,634 that year.

Such a case migration out of the practice office, into a licensed facility, is inevitable. Dr. Woodbury has begun moving some of these cases to other area surgery centers that are already authorized for pain management. He would like to be able to utilize Dr. Reeves' surgery center also, due to the complete availability of its Operating Room three days a week, its good location, and other factors. Approval of this application will provide that choice. Disapproval of this application would only limit his patients' options; it would not prevent the procedures from migrating to other surgery centers.

From the Reeves Surgery Center perspective, there is a clear benefit of this project: improved utilization of existing surgical capacity. Table Three below shows the CY2016 utilization that is projected for the Reeves Eye Surgery Center with, and without, the proposed pain management cases. The facility has one (1) O.R. If the project is approved, in Year One the utilization of the existing O.R. capacity will improve from 1,220 cases per year to 1,787 cases per year, supporting the State Health Plan's objectives of making the fullest possible use of existing health care capital investments.

And, because these cases will come from a physician practice rather than from another surgery center, the benefit to the applicant surgery center will not reduce utilization of any another licensed surgery center or hospital.

Positive Impact of the Project on O.R. Utilization Reeves Eye Surgery Center CY2016--Year One			
	Cases Per O.R.	Percent of Week O.R. Is Used	State Health Plan Goal for O.R. Utilization
Without Pain Management (Eye Surgery Only)	1,220	40% (2 of 5 days)	Minimum 70%
With Both Eye Surgery and Pain Management	1,787	80% (4 of 5 days)	Minimum 70%

Finally, this project is not an instance of a physician moving cases to a surgery center in order to obtain a facility fee in addition to a professional fee. The physician has no ownership in the Reeves Eye Surgery Center or any other surgery center. Without ownership, the physician cannot receive any of the facility fees paid to the surgery center.

Nor is the project imposing new costs "on the system" unfairly. Medicare and other payors have chosen to reimburse licensed facilities for performing these specific procedures; and most such procedures have already moved to licensed facilities. Dr. Woodbury's practice has been saving the system money for years by performing these types of cases in the practice offices, but volumes have reached the point where the practice cannot afford to keep absorbing those losses. The project involves no additional construction and creates no new surgical rooms in the area.

B.II.D. DESCRIBE THE NEED TO CHANGE LOCATION OR REPLACE AN EXISTING FACILITY.

Not applicable; the facility is not being relocated or replaced.

B.II.E. DESCRIBE THE ACQUISITION OF ANY ITEM OF MAJOR MEDICAL EQUIPMENT (AS DEFINED BY THE AGENCY RULES AND THE STATUTE) WHICH EXCEEDS A COST OF $2.0 MILLION; AND/OR IS A MAGNETIC RESONANCE IMAGING SCANNER (MRI), POSITRON EMISSION TOMOGRAPHY (PET) SCANNER, EXTRACORPOREAL LITHOTRIPTER AND/OR LINEAR ACCELERATOR BY RESPONDING TO THE FOLLOWING:

1. For fixed site major medical equipment (not replacing existing equipment):

- **a. Describe the new equipment, including:**
  1. **Total Cost (As defined by Agency Rule);**
  2. **Expected Useful Life;**
  3. **List of clinical applications to be provided; and**
  4. **Documentation of FDA approval.**
- **b. Provide current and proposed schedule of operations.**

2. For mobile major medical equipment:

- **a. List all sites that will be served;**
- **b. Provide current and/or proposed schedule of operations;**
- **c. Provide the lease or contract cost;**
- **d. Provide the fair market value of the equipment; and**
- **e. List the owner for the equipment.**

3. Indicate applicant's legal interest in equipment (e.g., purchase, lease, etc.) In the case of equipment purchase, include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Not applicable. No major medical equipment is being proposed.

B.III.A. ATTACH A COPY OF THE PLOT PLAN OF THE SITE ON AN 8-1/2" X 11" SHEET OF WHITE PAPER WHICH MUST INCLUDE:

1. **SIZE OF SITE (IN ACRES);**
2. **LOCATION OF STRUCTURE ON THE SITE;**
3. **LOCATION OF THE PROPOSED CONSTRUCTION; AND**
4. **NAMES OF STREETS, ROADS OR HIGHWAYS THAT CROSS OR BORDER THE SITE.**

PLEASE NOTE THAT THE DRAWINGS DO NOT NEED TO BE DRAWN TO SCALE. PLOT PLANS ARE REQUIRED FOR ALL PROJECTS.

See Attachment B.III.A.

B.III.B.1. DESCRIBE THE RELATIONSHIP OF THE SITE TO PUBLIC TRANSPORTATION ROUTES, IF ANY, AND TO ANY HIGHWAY OR MAJOR ROAD DEVELOPMENTS IN THE AREA. DESCRIBE THE ACCESSIBILITY OF THE PROPOSED SITE TO PATIENTS/CLIENTS.

The project site is very accessible to residents of its primary service area. It is less than two miles south of I-26 / James Quillen Parkway), the main highway connecting Johnson City and Kingsport, the two communities where most of the primary service area population resides. The site is within the city limits of Johnson City (Washington County), and is 26 minutes' drive from central Kingsport (Sullivan County). The site is within an hour's drive time of every county seat in the Tennessee primary service area.

Table Two-A: Mileage and Drive Times
Between Project and Major Communities in the Tennessee Primary Service Area

	County or State	Distance	Drive Time
Johnson City	Washington	3.7 mi.	10 min.
Jonesborough	Washington	6.9 mi.	15 min.
Kingsport	Sullivan	22.2 mi.	26 min.
Bristol	Sullivan	23.0 mi.	35 min.
Rogersville	Hawkins	48.0 mi.	55 min.
Greeneville	Greene	30.3 mi.	43 min.
Elizabethton	Carter	24.0 mi.	14 min.
Big Stone Gap	Wise (VA)	59.0 mi.	68 min.

Table Two-B:
Mileage and Drive Times
Between Project and Other Primary Service Area ASTC's
That Performed Pain Management Cases in FYE 2014 (Joint Annual Reports)

	County	Distance	Drive Time
East Tennessee Ambulatory Surgery Center Johnson City	Washington	0.7 mi.	3 min.
Mountain Empire Surgery Center Johnson City	Washington	0.6 mi.	3 min.
PMA Surgery Center Johnson City	Washington	0.6 mi.	2 min.
Holston Valley Surgery Center Kingsport	Sullivan	22.4 mi.	25 min.
Kingsport Ambulatory Surgery Center Kingsport	Sullivan	22.6 mi.	26 min.
Renaissance Surgery Center Bristol	Sullivan	31.1 mi.	32 min.
Sapling Grove Ambulatory Surgery Center Bristol	Sullivan	30.6 mi.	31 min.

Source: Google Maps, 9-27-15.

B.IV. ATTACH A FLOOR PLAN DRAWING FOR THE FACILITY WHICH INCLUDES PATIENT CARE ROOMS (NOTING PRIVATE OR SEMI-PRIVATE), ANCILLARY AREAS, EQUIPMENT AREAS, ETC.

See attachment B.IV for the floor plan of the existing eye surgery center. The proposed pain management cases will all be performed in its O.R., not in its procedure room, which is reserved for laser touchup of eye surgery cases.

IV. FOR A HOME CARE ORGANIZATION, IDENTIFY

1. **EXISTING SERVICE AREA (BY COUNTY);**
2. **PROPOSED SERVICE AREA (BY COUNTY);**
3. **A PARENT OR PRIMARY SERVICE PROVIDER;**
4. **EXISTING BRANCHES AND/OR SUB-UNITS; AND**
5. **PROPOSED BRANCHES AND/OR SUBUNITS.**

Not applicable. The application is not for a home care organization.

C(I) NEED

C(I).1. DESCRIBE THE RELATIONSHIP OF THIS PROPOSAL TO THE IMPLEMENTATION OF THE STATE HEALTH PLAN AND TENNESSEE'S HEALTH: GUIDELINES FOR GROWTH.

A. PLEASE PROVIDE A RESPONSE TO EACH CRITERION AND STANDARD IN CON CATEGORIES THAT ARE APPLICABLE TO THE PROPOSED PROJECT. DO NOT PROVIDE RESPONSES TO GENERAL CRITERIA AND STANDARDS (PAGES 6-9) HERE.

B. APPLICATIONS THAT INCLUDE A CHANGE OF SITE FOR A HEALTH CARE INSTITUTION, PROVIDE A RESPONSE TO GENERAL CRITERION AND STANDARDS (4)(a-c).

Not applicable. There are no Guidelines for Growth, and no CON Criteria in the State Health Plan, specific to this type of project. It is not for the establishment of a surgery center, or for the addition of surgical room capacity to an existing surgery center. It is not for the establishment of a listed new health service, and does not include the acquisition of major medical equipment. Nor does it propose a change of site for an existing institution.

However, it should be noted that the State Health Plan's CON review criteria for projects to add ASTC capacity (i.e., an O.R. or procedure room) to an area does include the following:

"The optimum utilization of a dedicated, outpatient, general-purpose Operating Room is 70% of full capacity...

This project is for a facility with one existing operating room that will be scheduled for eye surgery cases on parts of two days per week (40% of the workweek). With the addition of pain management cases during two other days, the operating room's utilization will obviously improve, moving it further toward the State Health Plan's goal of operating at high efficiency.

The Framework for Tennessee's Comprehensive State Health Plan

Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan. After each principle, the applicant states how this CON application supports the principle, if applicable.

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.
Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

The project will be a collaborative effort by two different specialty physician practices, to share in the utilization of existing surgical capacity to economically attain their patient care goals.

2. Access to Care

Every citizen should have reasonable access to health care.
Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

Both Dr. Reeves' and Dr. Woodbury's practices are highly accessible, with strong levels of service to low-income patients. This project will expand the choice that Dr. Woodbury's pain management patients now have as to their site of service, which expands accessibility for the patient.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. **The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.**

The project represents the use of existing surgical capacity in as more efficient way, roughly doubling the utilization of the operating room in the applicant's surgery center.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. **Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.**

Dr. Reeves' facility follows the highest professional standards; it complies with Licensure requirements and is fully accredited by the Joint Commission.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. **The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.**

This small surgery center cannot offer training rotations to area health professions training programs at this time. This particular project has no impact on development of the area workforce.

C(I).2. DESCRIBE THE RELATIONSHIP OF THIS PROJECT TO THE APPLICANT'S LONG-RANGE DEVELOPMENT PLANS, IF ANY.

This facility does not develop formal long-range plans. The project is consistent with the applicant's goal of fully utilizing an available capital investment in surgical capacity.

C(I).3. IDENTIFY THE PROPOSED SERVICE AREA AND JUSTIFY THE REASONABLENESS OF THAT PROPOSED AREA. SUBMIT A COUNTY-LEVEL MAP INCLUDING THE STATE OF TENNESSEE CLEARLY MARKED TO REFLECT THE SERVICE AREA. PLEASE SUBMIT THE MAP ON A 8-1/2" X 11" SHEET OF WHITE PAPER MARKED ONLY WITH INK DETECTABLE BY A STANDARD PHOTOCOPIER (I.E., NO HIGHLIGHTERS, PENCILS, ETC.).

With the addition of pain management cases, the applicant's surgery center will have a primary service area consisting of five Tennessee counties and one Virginia county, based on calculating and blending Dr. Reeves' and Dr. Woodbury's CY 2015 patient origin data for ophthalmology and pain management cases separately. Table Three below assumes continuation of their current patient origin through CY2017.

Service area maps showing the location of the service within the States of Tennessee and Virginia are provided in application Attachment C, Need--3.

Table Three: Projected Patient Origin of Reeves Eye Surgery Center With Addition of Pain Management Cases, CY2016 - CY2017

County	Percent of Total	Year One Cases	Year Two Cases
Washington	32.9%	588	596
Sullivan	17.0%	304	308
Wise (VA)	10.1%	181	183
Carter	9.0%	160	163
Greene	8.7%	155	158
Hawkins	5.8%	104	105
Subtotal PSA	**83.5%**	**1,492**	**1,513**
Other States & Counties <5%	18.1%	295	299
Total All Counties	**100.0%**	**1,787**	**1,812**

Source: Practice records for patient origin.

C(I).4.A DESCRIBE THE DEMOGRAPHICS OF THE POPULATION TO BE SERVED BY THIS PROPOSAL.

Table Four on the following page provides demographic data for the Tennessee service area of the project. The primary service area (PSA) is older than the State average with a median age of 42 years compared to the State's median age of 38 years; and having 19.6% of its population elderly (65+) compared to 15.2% Statewide. The aging of the area will increase the need for more eye surgeries and pain management cases than typically seen in the Statewide population.

The PSA is also a lower-income area than the State as a whole, having 20.7% of its residents enrolled in TennCare, and 19.1% living below poverty--compared to Statewide percentages of 18.7% in TennCare and 17.6% living in poverty. None of the service area counties has a median household income equal to the State average; the PSA average is 15% below the State average.

Table Four Demographic Characteristics of Primary Service Area
Reeves Eye Surgery Center, Johnson City--Addition of Pain Management Services
2015-2019

Primary Service Area	Demographic Characteristics													
County	Median Age - 2010 Census	Total Population 2015	Total Population 2019	Total Population % Change 2015 - 2019	Total Population Age 65+ 2015	% of Population	Total Population Age 65+ 2019	% of Population	Age 65+ Population - Change 2015 - 2019	Median Household Income	TennCare Enrollees	Percent of 2014 Population Enrolled in TennCare	Persons Below Poverty Level 2014	Persons Below Poverty Level as % of Population US Census
Carter	42.2	57,359	57,828	0.8%	11,279	19.7%	12,208	21.3%	8.2%	$31,842	13,201	23.0%	13,135	22.9%
Greene	42.6	70,520	71,989	2.1%	14,144	20.1%	15,120	21.4%	6.9%	$35,545	15,338	21.7%	15,514	22.0%
Hawkins	42.1	57,741	58,241	0.9%	11,739	20.3%	13,425	23.3%	14.4%	$37,357	13,769	23.8%	9,354	16.2%
Sullivan	43.6	159,494	161,707	1.4%	34,287	21.5%	38,477	24.1%	12.2%	$39,479	32,957	20.7%	29,187	18.3%
Washington	39.3	132,599	140,184	5.7%	22,369	16.9%	24,871	18.8%	11.2%	$42,075	23,541	17.8%	24,266	18.3%
Tennessee PSA	42.0	477,713	489,949	2.6%	93,818	19.6%	104,101	21.8%	11.0%	$37,260	98,806	20.7%	91,457	19.1%
State of Tennessee	38.0	6,649,438	6,894,997	3.7%	1,012,937	15.2%	1,134,565	17.1%	12.0%	$44,298	1,241,028	18.7%	1,170,301	17.6%

Sources: TDH Population Projections, May 2013; U.S. Census QuickFacts; TennCare Bureau Aug 2015.
PSA data is unweighted average, or total, of county data.

C(I).4.B. DESCRIBE THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION, INCLUDING HEALTH DISPARITIES, THE ACCESSIBILITY TO CONSUMERS, PARTICULARLY THE ELDERLY, WOMEN, RACIAL AND ETHNIC MINORITIES, AND LOW-INCOME GROUPS. DOCUMENT HOW THE BUSINESS PLANS OF THE FACILITY WILL TAKE INTO CONSIDERATION THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION.

The facility has been accessible to these groups since its opening two years ago. Its payor mix next year is anticipated to be 35.8% Medicare, 13.3% TennCare, and 2.4% Self-Pay and Charity. Neither physician discriminates against taking patients on the basis of age, gender, race, ethnicity, or low income.

During its first two years of operation, the facility took much longer than originally anticipated, to get under contract with commercial and Blue Cross plans; so the facility has been losing money each month prior to mid-2015. Now all insurance plans are in place and a more normal payor mix is being experienced. This will allow more charity care to be provided than was possible in the first one and a half years, when the facility experienced significant losses due to being unable to serve commercially- or Blue Cross-insured patients.

C(I).5. DESCRIBE THE EXISTING OR CERTIFIED SERVICES, INCLUDING APPROVED BUT UNIMPLEMENTED CON'S, OF SIMILAR INSTITUTIONS IN THE SERVICE AREA. INCLUDE UTILIZATION AND/OR OCCUPANCY TRENDS FOR EACH OF THE MOST RECENT THREE YEARS OF DATA AVAILABLE FOR THIS TYPE OF PROJECT. BE CERTAIN TO LIST EACH INSTITUTION AND ITS UTILIZATION AND/OR OCCUPANCY INDIVIDUALLY. INPATIENT BED PROJECTS MUST INCLUDE THE FOLLOWING DATA: ADMISSIONS OR DISCHARGES, PATIENT DAYS, AND OCCUPANCY. OTHER E.G., CASES, PROCEDURES, VISITS, ADMISSIONS, ETC.

Table Five on the following page shows the most recent three years of utilization of all of the service area's ambulatory surgery facilities that reported providing pain management services in 2014. There are eight such facilities in the primary service area. Please note that none of these is now performing the cases that will be coming to the Reeves Surgery Center if this application is approved; so they will not be impacted.

SUPPLEMENTAL #1
October 28, 2015
2:20 pm

C(I).6. PROVIDE APPLICABLE UTILIZATION AND/OR OCCUPANCY STATISTICS FOR YOUR INSTITUTION FOR EACH OF THE PAST THREE (3) YEARS AND THE PROJECTED ANNUAL UTILIZATION FOR EACH OF THE TWO (2) YEARS FOLLOWING COMPLETION OF THE PROJECT. ADDITIONALLY, PROVIDE THE DETAILS REGARDING THE METHODOLOGY USED TO PROJECT UTILIZATION. THE METHODOLOGY MUST INCLUDE DETAILED CALCULATIONS OR DOCUMENTATION FROM REFERRAL SOURCES, AND IDENTIFICATION OF ALL ASSUMPTIONS.

Table Six-A: Reeves Eye Surgery Center (1 O.R.)
Historical and Projected Cases

Year	Ophthalmology	Pain Management	Total Cases & Cases per O.R.
CY2014	389	0	
CY 2015	962	0	
CY 2016--Year 1	1220	567	1787
CY 2017--Year 2	1245	567	1812

Source: ASTC Management.

Table Six-B: Reeves Eye Surgery Center
Historical and Projected Ophthalmology Cases By Type

Year	Cataract	Blepharoplasty	Yag Laser	Other	Total
CY 2014	273	12	93	11	389
CY 2015	674	38	231	19	962
CY 2016--Year 1	856	36	292	36	1220
CY 2017--Year 2	874	37	297	37	1245

Source: ASTC Management.

Projection of Pain Management Cases

This is the same for Years One and Two. It is the number of cases that Dr. Wayne Woodbury stated he would bring to this facility each year. His practice is much larger than that; so this is considered to be a reliable projection.

Projection of Ophthalmology Cases

Dr. Reeves' eye surgery cases have grown steadily in CY2015, as his facility was accepted into major insurance contracts such as the area Blue Cross plans. In Q3 of 2015, he performed 263 cases, which was a 15.9% increase over Q2 of 2015. The

projection for Q4 of 2015 assumes another 15.9% increase, to 305 cases. That will give the facility 962 cases for all of CY2015.

The projection for CY2016 assumed that each quarter would average the 305 cases experienced in the last quarter of CY2015. That gives a projection of 1,220 eye surgery cases in CY2016, Year One of the project. Year Two utilization was projected to be 1,244 cases, reflecting a modest increase of 2% from the Year One caseloads.

C(II)1. PROVIDE THE COST OF THE PROJECT BY COMPLETING THE PROJECT COSTS CHART ON THE FOLLOWING PAGE. JUSTIFY THE COST OF THE PROJECT.

• ALL PROJECTS SHOULD HAVE A PROJECT COST OF AT LEAST $3,000 ON LINE F (MINIMUM CON FILING FEE). CON FILING FEE SHOULD BE CALCULATED ON LINE D.

• THE COST OF ANY LEASE (BUILDING, LAND, AND/OR EQUIPMENT) SHOULD BE BASED ON FAIR MARKET VALUE OR THE TOTAL AMOUNT OF THE LEASE PAYMENTS OVER THE INITIAL TERM OF THE LEASE, WHICHEVER IS GREATER. NOTE: THIS APPLIES TO ALL EQUIPMENT LEASES INCLUDING BY PROCEDURE OR "PER CLICK" ARRANGEMENTS. THE METHODOLOGY USED TO DETERMINE THE TOTAL LEASE COST FOR A "PER CLICK" ARRANGEMENT MUST INCLUDE, AT A MINIMUM, THE PROJECTED PROCEDURES, THE "PER CLICK" RATE AND THE TERM OF THE LEASE.

• THE COST FOR FIXED AND MOVEABLE EQUIPMENT INCLUDES, BUT IS NOT NECESSARILY LIMITED TO, MAINTENANCE AGREEMENTS COVERING THE EXPECTED USEFUL LIFE OF THE EQUIPMENT; FEDERAL, STATE, AND LOCAL TAXES AND OTHER GOVERNMENT ASSESSMENTS; AND INSTALLATION CHARGES, EXCLUDING CAPITAL EXPENDITURES FOR PHYSICAL PLANT RENOVATION OR IN-WALL SHIELDING, WHICH SHOULD BE INCLUDED UNDER CONSTRUCTION COSTS OR INCORPORATED IN A FACILITY LEASE.

• FOR PROJECTS THAT INCLUDE NEW CONSTRUCTION, MODIFICATION, AND/OR RENOVATION; DOCUMENTATION MUST BE PROVIDED FROM A CONTRACTOR AND/OR ARCHITECT THAT SUPPORT THE ESTIMATED CONSTRUCTION COSTS.

The architect's letter supporting the construction cost estimate is provided in Attachment C, Economic Feasibility--1.

On the Project Costs Chart, the only costs were A.2 (Fees) and A8 (Equipment). The former were estimated by the applicant's development team. The equipment costs and specifications were provided by prospective vendors with whom the applicant's Director discussed the project.

PROJECT COSTS CHART--REEVES EYE SURGERY CENTER
ADDITION OF PAIN MANAGEMENT SERVICES

A.	Construction and equipment acquired by purchase:	
1.	Architectural and Engineering Fees	$ 0
2.	Legal, Administrative, Consultant Fees (Excl CON Filing Fee)	45,000
3.	Acquisition of Site	0
4.	Preparation of Site	0
5.	Construction Cost	0
6.	Contingency Fund	0
7.	Fixed Equipment (Not included in Construction Contract)	0
8.	Moveable Equipment (List all equipment over $50,000)*	127,881
9.	Other (Specify) _____	0
B.	Acquisition by gift, donation, or lease:	
1.	Facility (inclusive of building and land)	0
2.	Building only	0
3.	Land only	0
4.	Equipment (Specify) _____	0
5.	Other (Specify) _____	0
C.	Financing Costs and Fees:	
1.	Interim Financing	0
2.	Underwriting Costs	0
3.	Reserve for One Year's Debt Service	0
4.	Other (Specify) _____	0
D.	Estimated Project Cost (A+B+C)	172,881
E.	CON Filing Fee	3,000
F.	Total Estimated Project Cost (D+E)	TOTAL $ 175,881

* Crash cart, C-arm, table, RF generator.
Only the C-arm ($69,900) exceeds $50,000.

Actual Capital Cost	175,881
Section B FMV	0

C(II).2. IDENTIFY THE FUNDING SOURCES FOR THIS PROJECT.

a. PLEASE CHECK THE APPLICABLE ITEM(S) BELOW AND BRIEFLY SUMMARIZE HOW THE PROJECT WILL BE FINANCED. (DOCUMENTATION FOR THE TYPE OF FUNDING MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND IDENTIFIED AS ATTACHMENT C, ECONOMIC FEASIBILITY--2).

__x___A. Commercial Loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

_____B. Tax-Exempt Bonds--copy of preliminary resolution or a letter from the issuing authority, stating favorable contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

_____C. General Obligation Bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting;

_____D. Grants--Notification of Intent form for grant application or notice of grant award;

_____E. Cash Reserves--Appropriate documentation from Chief Financial Officer; or

_____F. Other--Identify and document funding from all sources.

The project will be funded/financed by a loan from a local bank in the service area. Documentation of financing is provided in Attachment C, Economic Feasibility--2.

C(II).3. DISCUSS AND DOCUMENT THE REASONABLENESS OF THE PROPOSED PROJECT COSTS. IF APPLICABLE, COMPARE THE COST PER SQUARE FOOT OF CONSTRUCTION TO SIMILAR PROJECTS RECENTLY APPROVED BY THE HSDA.

Not applicable. The project requires no more than the purchase of additional equipment.

C(II).4. COMPLETE HISTORICAL AND PROJECTED DATA CHARTS ON THE FOLLOWING TWO PAGES--DO NOT MODIFY THE CHARTS PROVIDED OR SUBMIT CHART SUBSTITUTIONS. HISTORICAL DATA CHART REPRESENTS REVENUE AND EXPENSE INFORMATION FOR THE LAST THREE (3) YEARS FOR WHICH COMPLETE DATA IS AVAILABLE FOR THE INSTITUTION. PROJECTED DATA CHART REQUESTS INFORMATION FOR THE TWO YEARS FOLLOWING COMPLETION OF THIS PROPOSAL. PROJECTED DATA CHART SHOULD INCLUDE REVENUE AND EXPENSE PROJECTIONS FOR THE PROPOSAL ONLY (I.E., IF THE APPLICATION IS FOR ADDITIONAL BEDS, INCLUDE ANTICIPATED REVENUE FROM THE PROPOSED BEDS ONLY, NOT FROM ALL BEDS IN THE FACILITY).

See the following pages for these charts, with notes where applicable.

HISTORICAL DATA CHART – REEVES EYE SURGERY CENTER

Give information for the last three (3) years for which complete data are available for the facility or agency.
The fiscal year begins in JANUARY.

			Year 20__ NA	Year 2014	Year 2015
A.	Utilization Data	Cases	0	389	962
B.	Revenue from Services to Patients				
	1. Inpatient Services		$		
	2. Outpatient Services		0	1,880,623	3,960,806
	3. Emergency Services		0		
	4. Other Operating Revenue			1	77,568
	(Specify) See notes page				
		Gross Operating Revenue	$ 0	$ 1,880,624	$ 4,038,373
C.	Deductions for Operating Revenue				
	1. Contractual Adjustments		$ 0	1,595,359	3,339,580
	2. Provision for Charity Care				20,199
	3. Provisions for Bad Debt		0		6,719
		Total Deductions	$ 0	$ 1,595,359	$ 3,366,498
NET OPERATING REVENUE			$ 0	$ 285,265	$ 671,875
D.	Operating Expenses				
	1. Salaries and Wages		$ 0	150,838	177,970
	2. Physicians Salaries and Wages		0	0	0
	3. Supplies		0	136,869	210,945
	4. Taxes		0	5,757	7,188
	5. Depreciation		0	170,188	32,474
	6. Rent		0	56,949	93,000
	7. Interest, other than Capital			0	0
	8. Management Fees				
	a. Fees to Affiliates		0	0	0
	b. Fees to Non-Affiliates		0	0	0
	9. Other Expenses (Specify)	See notes page		17,403	21,681
		Total Operating Expenses	$ 0	538,005	543,258
E.	Other Revenue (Expenses) -- Net (Specify)		$	$ (92,687)	$ (168,021)
NET OPERATING INCOME (LOSS)			$ 0	$ (345,426)	(39,403)
F.	Capital Expenditures				
	1. Retirement of Principal		$ 0	$ 0	$ 7,000
	2. Interest		0	5,783	4,808
		Total Capital Expenditures	$ 0	$ 5,783	$ 11,808
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES			$ 0	$ (351,209)	$ (51,211)

HISTORIC DATA CHART	Jan - Dec 14	
Other Expenses		
Dues and Subscriptions	903.00	
Insurance Expense	2,372.16	
Licenses & Permits	1,469.00	
Utilities	12,659.24	
		17,403.40
Other Revenue (Expenses)		
Advertising and Promotion	678.30	
Automobile Expense	65.27	
Bank Service Charges	2,333.33	
Business Licenses and Permits	308.25	
Computer and Internet Expenses	9,787.40	
Consulting	6,200.00	
Continuing Education	1,144.36	
Janitorial Expense	8,130.85	
Maintenance Fees	9,172.67	
Meals and Entertainment	2,063.20	
Office Supplies	4,537.08	
Other Operating Expenses	3,637.29	
Credentialling	2,324.09	
Professional Fees	37,496.85	
Repairs and Maintenance	2,285.93	
Travel Fuel	347.32	
Travel Expense - Other	789.70	
Uniforms	1,384.79	
		92,686.68

HISTORIC DATA CHART	2015 Estimated	
Other Expenses		
Dues and Subscriptions	315.00	
Insurance Expense	3,157.38	
Licenses & Permits	282.00	
Utilities	17,926.50	
		21,680.88
Other Revenue (Expenses)		
Credit Card Payments	3,468.00	
Advertising and Promotion	17,926.45	
Automobile Expense	95.08	
Equipment Rental	11,700.00	
Bank Service Charges	8,222.52	
Computer and Internet Expenses	9,522.57	
Consulting	15,859.44	
Janitorial Expense	14,050.13	
Laboratory Fees	225.00	
Maintenance Fees	11,729.79	
Meals and Entertainment	183.09	
Office Supplies	1,180.39	
Other Expenses	17,106.86	
Professional Fees		
Credentialling	6,262.50	
Professional Fees	46,973.71	
Repairs and Maintenance	3,465.54	
Travel Fuel	49.91	
		168,020.96

PROJECTED DATA CHART-- REEVES EYE SURGERY CENTER (INCLUDING OPHTHALMIC AND PAIN MANAGEMENT CASES)

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in JANUARY).

			CY 2016	CY 2017
A.	Utilization Data	Cases	1,787	1,812
B.	Revenue from Services to Patients			
	1. Inpatient Services		$	$
	2. Outpatient Services		9,532,836	9,679,236
	3. Emergency Services		0	0
	4. Other Operating Revenue (Specify)	See notes page	82,262	83,907
		Gross Operating Revenue	$ 9,615,098	$ 9,763,143
C.	Deductions for Operating Revenue			
	1. Contractual Adjustments		$ 8,356,382	$ 8,484,571
	2. Provision for Charity Care		83,889	85,177
	3. Provisions for Bad Debt		24,400	26,132
		Total Deductions	$ 8,464,671	$ 8,595,880
NET OPERATING REVENUE			$ 1,150,427	$ 1,167,263
D.	Operating Expenses			
	1. Salaries and Wages		$ 253,686	$ 257,762
	2. Physicians Salaries and Wages		0	0
	3. Supplies		408,345	414,633
	4. Taxes		8,680	8,680
	5. Depreciation		68,748	68,748
	6. Rent		93,000	93,000
	7. Interest, other than Capital		0	0
	8. Management Fees			
	a. Fees to Affiliates		0	0
	b. Fees to Non-Affiliates		0	0
	9. Other Expenses (Specify)	See notes page	36,420	36,973
	Dues, Utilities, Insurance, and Prop Taxes.			
		Total Operating Expenses	$ 868,879	$ 879,796
E.	Other Revenue (Expenses) -- Net (Specify)		$ (146,870)	$ (148,314)
NET OPERATING INCOME (LOSS)			$ 134,678	$ 139,153
F.	Capital Expenditures			
	1. Retirement of Principal		$ 55,089	56,112
	2. Interest		17,152	14,265
		Total Capital Expenditures	$ 72,241	$ 70,377
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES			$ 62,437	$ 68,776

PROJECTED DATA CHART	2016		2017	
Other Expenses				
Dues and Subscriptions	2,400.00		2,400.00	
Insurance - Malpractice	9,000.00		9,450.00	
Insurance - Property	3,420.00		3,523.00	
Utilities	21,600.00		21,600.00	
		36,420.00		36,973.00
Other Revenue (Expenses)				
Education / Consulting	2,020.00		2,020.00	
Office Expenses	7,570.00		7,677.00	
Business Travel and Meals	750.00		750.00	
Equipment Repair / Rental	17,062.00		17,135.00	
Computer and Internet Expenses	8,760.00		8,760.00	
Laundry Services / Linen	8,937.00		9,059.00	
Janitorial Expense	20,100.00		20,502.00	
Medical Gases	2,234.00		2,265.00	
Med Waste	1,140.00		1,175.00	
Phone Services	3,480.00		3,480.00	
Marketing and Advertising	5,400.00		5,400.00	
Professional Fees				
Medical Billing	46,017.00		46,691.00	
Other - Accounting/Legal	3,900.00		3,900.00	
Facility Maintenance Fees	4,500.00		4,500.00	
Other Expenses				
Bank Service Fees	3,000.00		3,000.00	
Credit Card Fees	8,500.00		8,500.00	
Other Misc	3,500.00		3,500.00	
		146,870.00		148,314.00

C(II).5. PLEASE IDENTIFY THE PROJECT'S AVERAGE GROSS CHARGE, AVERAGE DEDUCTION FROM OPERATING REVENUE, AND AVERAGE NET CHARGE.

Table Seven : Reeves Eye Surgery Center--Addition of Pain Management Average Charges, Deductions, and Net Operating Income		
	CY2016	**CY2017**
Cases	1,787	1,812
Average Gross Charge Per Case	$5,381	$5,388
Average Deduction Per Case	$4,737	$4,744
Average Operating Income Per Case	$644	$44
Average Net Operating Income Per Case After Capital Expenditures	$75	$77

C(II).6.A. PLEASE PROVIDE THE CURRENT AND PROPOSED CHARGE SCHEDULES FOR THE PROPOSAL. DISCUSS ANY ADJUSTMENT TO CURRENT CHARGES THAT WILL RESULT FROM THE IMPLEMENTATION OF THE PROPOSAL. ADDITIONALLY, DESCRIBE THE ANTICIPATED REVENUE FROM THE PROPOSED PROJECT AND THE IMPACT ON EXISTING PATIENT CHARGES.

The Reeves Eye Surgery Center will not need to adjust its charges in response to this project, due to the very small capital cost of preparing the facility to support pain management cases.

The response to C(II).6.B below provides the average gross charges for the most frequent services in the facility.

C(II).6.B. COMPARE THE PROPOSED CHARGES TO THOSE OF SIMILAR FACILITIES IN THE SERVICE AREA/ADJOINING SERVICE AREAS, OR TO PROPOSED CHARGES OF PROJECTS RECENTLY APPROVED BY THE HSDA. IF APPLICABLE, COMPARE THE PROJECTED CHARGES OF THE PROJECT TO THE CURRENT MEDICARE ALLOWABLE FEE SCHEDULE BY COMMON PROCEDURE TERMINOLOGY (CPT) CODE(S).

Table Eight below compares average gross charge per case of this project and several area surgery centers authorized for pain management. There is no directly comparable facility in the area, or known to the applicant, that performs only ophthalmology and pain management cases, so the relevance of these charge comparisons is questionable.

Table Eight: CY2014 Gross Charge Per Case in Service Area Facilities Compared to CY2016 Gross Charge Per Case in This Project

Facility	City	Gross Charges	Cases	Avge. Gross Charge/Case
PMA Surgery Center	Johnson City	$11,919,564	2,060	$5,786 (2014)
Mountain Empire Surg Center	Johnson City	$54,448,135	4,932	$11,039 (2014)
Renaissance Surgery Center	Kingsport	$1,815,688	1,292	$1,405 (2014)
Holston Valley Surgery Center	Kingsport	$16,207,420	5,830	$9,070 (2014)
THIS PROJECT	Johnson City	$9,615,098	1,787	$5,381 (2016)

Sources: 2014 Joint Annual Reports; Projected Data Chart in this application.

Table Nine on the following page compares the applicant's projected charges for frequently performed surgeries to current 2015 Medicare reimbursement for those surgeries.

Table Nine: Reeves Eye Surgery Center Charge Data for Most Frequent Procedures				
			Proj. Gross Charge	
CPT	Description	Current Medicare Allowable	CY 2016 Year 1	CY2017 Year 2
	Ophthalmology			
11640	Excision, malignant lesion including margins	$116.58	$900	$900
15821	Revision of lower eyelid	$672.33	$4,200	$4,200
15823	Revision of upper eyelid	$672.33	$4,200	$4,200
65436	Curette/treat cornea	$180.17	$1,200	$1,200
66821	Yag Capsulotomy After Cataract	$211.93	$1,500	$1,500
66982	Cataract surgery complex	$837.24	$5,400	$5,400
66984	Cataract surg w/iol 1 stage	$837.24	$5,400	$5,400
67875	Closure of eyelid by suture	$335.19	$2,100	$2,100
67917	Repair eyelid defect	$733.12	$4,500	$4,500
	Pain Management			
62273	Inject epidural patch	321.05	$2,275	$2,275
62310	Inject spine c/t	321.05	$2,275	$2,275
62311	Inject spine l/s (cd)	321.05	$2,275	$2,275
64421	N block inj intercost mlt	321.05	$2,275	$2,275
64483	Inj foramen epidural l/s	321.05	$2,275	$2,275
64490	Inj paravert f jnt c/t 1 lev	321.05	$2,275	$2,275
64493	Inj paravert f jnt l/s 1 lev	321.05	$2,275	$2,275
64633	Destroy cerv/thor facet jnt	702.24	$4,875	$4,875
64635	Destroy lumb/sac facet jnt	702.24	$4,875	$4,875

Source: Facility Management and Phybus.

C(II).7. DISCUSS HOW PROJECTED UTILIZATION RATES WILL BE SUFFICIENT TO MAINTAIN COST-EFFECTIVENESS.

The projected cases in the project are sufficient to show a positive cash flow; the project is financially feasible at competitive rates.

C(II).8. DISCUSS HOW FINANCIAL VIABILITY WILL BE ENSURED WITHIN TWO YEARS; AND DEMONSTRATE THE AVAILABILITY OF SUFFICIENT CASH FLOW UNTIL FINANCIAL VIABILITY IS MAINTAINED.

As noted elsewhere in the application, the applicant facility is entering a more financially stable position in the third and fourth quarters of CY 2015, now that it has succeeded in gaining acceptance to contracts with such major area insurers as Blue Cross, and several commercial insurers. The Projected Data Chart shows a small operating margin with the projected eye surgery and pain management cases for CY 2016 and CY 2017; and in both years there is a positive cash flow.

C(II).9. DISCUSS THE PROJECT'S PARTICIPATION IN STATE AND FEDERAL REVENUE PROGRAMS, INCLUDING A DESCRIPTION OF THE EXTENT TO WHICH MEDICARE, TENNCARE/MEDICAID, AND MEDICALLY INDIGENT PATIENTS WILL BE SERVED BY THE PROJECT. IN ADDITION, REPORT THE ESTIMATED DOLLAR AMOUNT OF REVENUE AND PERCENTAGE OF TOTAL PROJECT REVENUE ANTICIPATED FROM EACH OF TENNCARE, MEDICARE, OR OTHER STATE AND FEDERAL SOURCES FOR THE PROPOSAL'S FIRST YEAR OF OPERATION.

Table Ten: Reeves Eye Surgery Center
Projected Payor Mix in Year One (CY2016)

Payor	Percent of Gross Revenue, Year One (2016)	Amount of Gross Revenue, Year One (2016)
Medicare	35.76%	$3,438,358
Medicaid/TennCare	13.30%	$1,278,808
Blue Cross	13.49%	$1,297,077
Commercial	33.93%	$3,262,403
Self-Pay	1.53%	$147,111
Charity	.88%	$84,613
Other	1.11%	$106,728
Total	100%	$9,615,098

Source: ASTC Management. Percent of Gross Revenue is on OP Services Revenue, Projected Data Chart.

C(II).10. PROVIDE COPIES OF THE BALANCE SHEET AND INCOME STATEMENT FROM THE MOST RECENT REPORTING PERIOD OF THE INSTITUTION, AND THE MOST RECENT AUDITED FINANCIAL STATEMENTS WITH ACCOMPANYING NOTES, IF APPLICABLE. FOR NEW PROJECTS, PROVIDE FINANCIAL INFORMATION FOR THE CORPORATION, PARTNERSHIP, OR PRINCIPAL PARTIES INVOLVED WITH THE PROJECT. COPIES MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND LABELED AS ATTACHMENT C, ECONOMIC FEASIBILITY--10.

These are provided as Attachment C, Economic Feasibility--10.

C(II)11. DESCRIBE ALL ALTERNATIVES TO THIS PROJECT WHICH WERE CONSIDERED AND DISCUSS THE ADVANTAGES AND DISADVANTAGES OF EACH ALTERNATIVE, INCLUDING BUT NOT LIMITED TO:

A. A DISCUSSSION REGARDING THE AVAILABILITY OF LESS COSTLY, MORE EFFECTIVE, AND/OR MORE EFFICIENT ALTERNATIVE METHODS OF PROVIDING THE BENEFITS INTENDED BY THE PROPOSAL. IF DEVELOPMENT OF SUCH ALTERNATIVES IS NOT PRACTICABLE, THE APPLICANT SHOULD JUSTIFY WHY NOT, INCLUDING REASONS AS TO WHY THEY WERE REJECTED.

B. THE APPLICANT SHOULD DOCUMENT THAT CONSIDERATION HAS BEEN GIVEN TO ALTERNATIVES TO NEW CONSTRUCTION, E.G., MODERNIZATION OR SHARING ARRANGEMENTS. IT SHOULD BE DOCUMENTED THAT SUPERIOR ALTERNATIVES HAVE BEEN IMPLEMENTED TO THE MAXIMUM EXTENT PRACTICABLE.

Neither new construction nor renovation will be necessary to implement the project, which simply makes use of existing O.R. space that is not used on three days of each workweek. There is no less costly way for a surgery center to add the pain management specialty.

It will offer consumers no advantage for these pain surgeries to be moved to any other surgery center; the payments by insurers will be the same or almost the same, at any ASTC location. So the applicant does not believe that even from a system-wide standpoint, there is any more efficient or more effective way to accommodate this relocation of cases. Dr. Woodbury's medical practice is compelled to relocate them to a licensed facility; Dr. Reeves' facility has an operating room that can be equipped at low cost to support all of Dr. Woodbury's intended cases; and the Reeves facility has a wide-open O.R. schedule on three days per week for the foreseeable future.

C(III).1. LIST ALL EXISTING HEALTH CARE PROVIDERS (I.E., HOSPITALS, NURSING HOMES, HOME CARE ORGANIZATIONS, ETC.) MANAGED CARE ORGANIZATIONS, ALLIANCES, AND/OR NETWORKS WITH WHICH THE APPLICANT CURRENTLY HAS OR PLANS TO HAVE CONTRACTUAL AND/OR WORKING RELATIONSHIPS, E.G., TRANSFER AGREEMENTS, CONTRACTUAL AGREEMENTS FOR HEALTH SERVICES.

The facility has transfer agreements with the Franklin Woods hospital in Johnson City (part of Mountain States Health Alliance).

C(III).2. DESCRIBE THE POSITIVE AND/OR NEGATIVE EFFECTS OF THE PROPOSAL ON THE HEALTH CARE SYSTEM. PLEASE BE SURE TO DISCUSS ANY INSTANCES OF DUPLICATION OR COMPETITION ARISING FROM YOUR PROPOSAL, INCLUDING A DESCRIPTION OF THE EFFECT THE PROPOSAL WILL HAVE ON THE UTILIZATION RATES OF EXISTING PROVIDERS IN THE SERVICE AREA OF THE PROJECT.

This is an unusual project in that it has no negative impact on any other provider or any payor in the health care system. The project offers the use of available surgery center O.R. time to a pain management physician who is going to move a certain bloc of his cases out of the practice office, into some local surgery center, because the practice cannot keep losing money on these cases due to costs of supplies exceeding reimbursement to a physician office setting. Because the cases have never been done before now in a local licensed facility, this is not a caseload that will come out of any existing ASTC's utilization; so the project cannot have any adverse impact on any other licensed provider.

This physician practice is doing only what others can do, and have done. It will be done with another surgery center if he is not allowed to use Dr. Reeves' facility. There is no financial gain to the physician himself in relocating these cases to the Reeves Eye Surgery Center, because he has no ownership in Dr. Reeves' facility. His practice will reduce its losses; but this can be done by moving the cases to any existing ASTC.

But the project will be very helpful to the Reeves facility, which can significantly increase its cases and modestly increase its financial feasibility.

SUPPLEMENTAL #1
October 28, 2015
2:20 pm

C(III).3. PROVIDE THE CURRENT AND/OR ANTICIPATED STAFFING PATTERN FOR ALL EMPLOYEES PROVIDING PATIENT CARE FOR THE PROJECT. THIS CAN BE REPORTED USING FTE'S FOR THESE POSITIONS. IN ADDITION, PLEASE COMPARE THE CLINICAL STAFF SALARIES IN THE PROPOSAL TO PREVAILING WAGE PATTERNS IN THE SERVICE AREA AS PUBLISHED BY THE TENNESSEE DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT AND/OR OTHER DOCUMENTED SOURCES.

The use of a C-arm for the pain management cases will require employing a part-time contracted radiologic technician. That is the only new staff required. The other staffing needs for the new service will be met by increasing the time spent on pain cases by clinical staff already subcontracted to the surgery center from the associated practice office.

Please see the following page for a table of staffing requirements for the addition of pain management services to this facility.

The Department of Labor and Workforce Development website indicates the following Johnson City area's salary information for clinical employees of this project:

Table Eleven: TDOL Surveyed Average Salaries for the Region, 2015			
Position	Entry Level	Median	Experienced
RN (Not Surveyed)	--	--	--
LPN	$13.95	$16.74	$18.13
Radiology Tech	$18.75	$23.55	$25.95

Table Twelve ; Reeves Eye Surgery Center Current and Projected Staffing With Addition of Pain Management Year 1							
	Current	Year 1	Year 2	Each Position		Total Year 2 Potential Salaries	
Position Type (RN, etc.)	FTE'S	FTE's	FTE's	Minimum	Maximum	Minimum	Maximum
RN	1.15	1.54	1.54	$52,000	$58,240	$80,080.00	$89,689.60
LPN	1.00	1.00	1.00	$31,200	$39,520	$31,200.00	$39,520.00
Receptionist	0.24	0.60	0.60	$33,280	$37,440	$19,968.00	$22,464.00
Central Sterile Processor	0.24	0.40	0.40	$35,360	$39,520	$14,144.00	$15,808.00
Radiology Technologist	0.00	0.25	0.25	$35,360	$39,520	$8,840.00	$9,880.00
Administrator	0.35	1.00	1.00	$59,280	$70,720	$59,280.00	$70,720.00
Totals	2.98	4.79	4.79			$213,512	$248,082

Source: Reeves Eye Surgery Center management.

C(III).4. DISCUSS THE AVAILABILITY OF AND ACCESSIBILITY TO HUMAN RESOURCES REQUIRED BY THE PROPOSAL, INCLUDING ADEQUATE PROFESSIONAL STAFF, AS PER THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, AND/OR THE DIVISION OF MENTAL RETARDATION SERVICES LICENSING REQUIREMENTS.

The use of a C-arm for the pain management cases will require employing a radiologic technician. That is the only new full-time person required. The applicant believes that this person will be readily available in the Tri-Cities market.

The other staffing needs for the new service will be met by increasing the time spent on pain cases by clinical staff already employed in the practice, and subcontracted to the surgery center.

C(III).5. VERIFY THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSING CERTIFICATION AS REQUIRED BY THE STATE OF TENNESSEE FOR MEDICAL/CLINICAL STAFF. THESE INCLUDE, WITHOUT LIMITATION, REGULATIONS CONCERNING PHYSICIAN SUPERVISION, CREDENTIALING, ADMISSIONS PRIVILEGES, QUALITY ASSURANCE POLICIES AND PROGRAMS, UTILIZATION REVIEW PPOLICIES AND PROGRAMS, RECORD KEEPING, AND STAFF EDUCATION.

The applicant so verifies.

C(III).6. DISCUSS YOUR HEALTH CARE INSTITUTION'S PARTICIPATION IN THE TRAINING OF STUDENTS IN THE AREAS OF MEDICINE, NURSING, SOCIAL WORK, ETC. (I.E., INTERNSHIPS, RESIDENCIES, ETC.).

Reeves Eye Surgery Center is a small specialty facility that is not optimal for establishing training relationships. None exist at the present time.

C(III).7(a). PLEASE VERIFY, AS APPLICABLE, THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSURE REQUIREMENTS OF THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, THE DIVISION OF MENTAL RETARDATION SERVICES, AND/OR ANY APPLICABLE MEDICARE REQUIREMENTS.

The applicant so verifies.

C(III).7(b). PROVIDE THE NAME OF THE ENTITY FROM WHICH THE APPLICANT HAS RECEIVED OR WILL RECEIVE LICENSURE, CERTIFICATION, AND/OR ACCREDITATION

LICENSURE: Board for Licensure of Healthcare Facilities
Tennessee Department of Health

CERTIFICATION: Medicare Certification from CMS
TennCare Certification from TDH

ACCREDITATION: Joint Commission

C(III).7(c). IF AN EXISTING INSTITUTION, PLEASE DESCRIBE THE CURRENT STANDING WITH ANY LICENSING, CERTIFYING, OR ACCREDITING AGENCY OR AGENCY.

The applicant is currently licensed in good standing by the Board for Licensing Health Care Facilities, certified for participation in Medicare and Medicaid/TennCare, and fully accredited by the Joint Commission.

C(III).7(d). FOR EXISTING LICENSED PROVIDERS, DOCUMENT THAT ALL DEFICIENCIES (IF ANY) CITED IN THE LAST LICENSURE CERTIFICATION AND INSPECTION HAVE BEEN ADDRESSED THROUGH AN APPROVED PLAN OF CORRECTION. PLEASE INCLUDE A COPY OF THE MOST RECENT LICENSURE/CERTIFICATION INSPECTION WITH AN APPROVED PLAN OF CORRECTION.

They have been addressed. A copy of the most recent licensure inspection and plan of correction, and/or the most recent accreditation inspection, are provided in Attachment C, Orderly Development--7(C).

C(III)8. DOCUMENT AND EXPLAIN ANY FINAL ORDERS OR JUDGMENTS ENTERED IN ANY STATE OR COUNTRY BY A LICENSING AGENCY OR COURT AGAINST PROFESSIONAL LICENSES HELD BY THE APPLICANT OR ANY ENTITIES OR PERSONS WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE APPLICANT. SUCH INFORMATION IS TO BE PROVIDED FOR LICENSES REGARDLESS OF WHETHER SUCH LICENSE IS CURRENTLY HELD.

None.

C(III)9. IDENTIFY AND EXPLAIN ANY FINAL CIVIL OR CRIMINAL JUDGMENTS FOR FRAUD OR THEFT AGAINST ANY PERSON OR ENTITY WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE PROJECT.

None.

C(III)10. IF THE PROPOSAL IS APPROVED, PLEASE DISCUSS WHETHER THE APPLICANT WILL PROVIDE THE THSDA AND/OR THE REVIEWING AGENCY INFORMATION CONCERNING THE NUMBER OF PATIENTS TREATED, THE NUMBER AND TYPE OF PROCEDURES PERFORMED, AND OTHER DATA AS REQUIRED.

Yes. The applicant will provide the requested data consistent with Federal HIPAA requirements.

PROOF OF PUBLICATION

Attached.

DEVELOPMENT SCHEDULE

1. PLEASE COMPLETE THE PROJECT COMPLETION FORECAST CHART ON THE NEXT PAGE. IF THE PROJECT WILL BE COMPLETED IN MULTIPLE PHASES, PLEASE IDENTIFY THE ANTICIPATED COMPLETION DATE FOR EACH PHASE.

The Project Completion Forecast Chart is provided after this page.

2. IF THE RESPONSE TO THE PRECEDING QUESTION INDICATES THAT THE APPLICANT DOES NOT ANTICIPATE COMPLETING THE PROJECT WITHIN THE PERIOD OF VALIDITY AS DEFINED IN THE PRECEDING PARAGRAPH, PLEASE STATE BELOW ANY REQUEST FOR AN EXTENDED SCHEDULE AND DOCUMENT THE "GOOD CAUSE" FOR SUCH AN EXTENSION.

Not applicable. The applicant anticipates completing the project within the period of validity.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c):

January 27, 2016

Assuming the CON decision becomes the final Agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

PHASE	DAYS REQUIRED	Anticipated Date (MONTH /YEAR)
1. Architectural & engineering contract signed		
2. Construction documents approved by TDH		
3. Construction contract signed		
4. Building permit secured		
5. Site preparation completed		
6. Building construction commenced		
7. Construction 40% complete		
8. Construction 80% complete		
9. Construction 100% complete		
10. * Issuance of license	NA	NA
11. *Initiation of service	3	2-1-16
12. Final architectural certification of payment		
13. Final Project Report Form (HF0055)		

*** For projects that do NOT involve construction or renovation: please complete items 10-11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

JOHN WELLBORN, being first duly sworn, says that he is the lawful agent of the applicant named in this application, that this project will be completed in accordance with the application to the best of the agent's knowledge, that the agent has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of the agent's knowledge.

John L Wellborn
SIGNATURE/TITLE
CONSULTANT

Sworn to and subscribed before me this 15th day of October (Month), 2015 (Year) a Notary

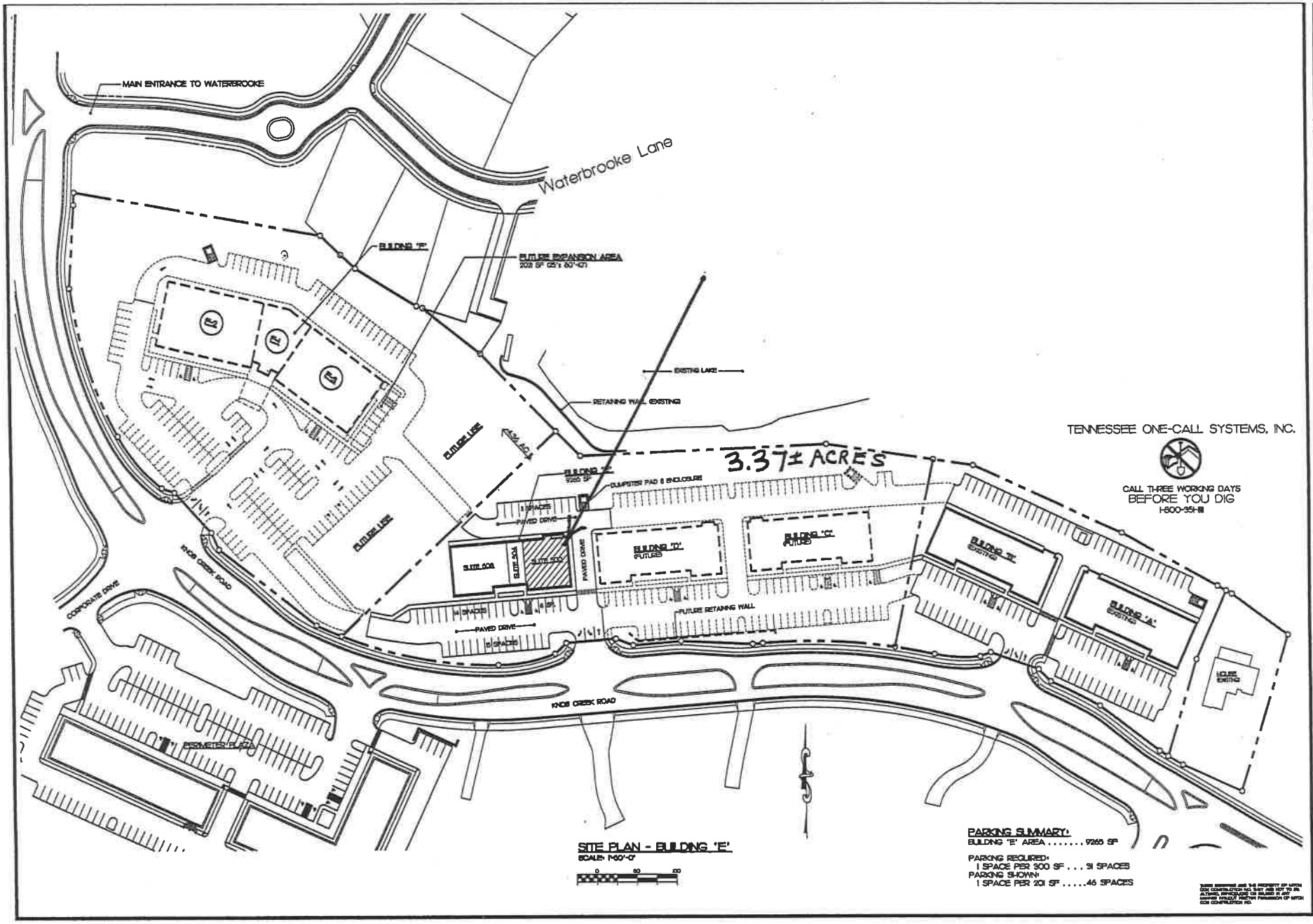
Public in and for the County/State of DAVIDSON

JAN M. DANFORTH
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires July 2, 2018

NOTARY PUBLIC

My commission expires July 2 (Month/Day), 2018 (Year).

INDEX OF ATTACHMENTS



SITE PLAN - BUILDING "E"

SCALE: 1"=60'-0"

0 60 120

PARKING SUMMARY:

BUILDING "E" AREA ..... 9265 SF

PARKING REQUIRED:
1 SPACE PER 300 SF ... 31 SPACES

PARKING SHOWN:
1 SPACE PER 201 SF .....46 SPACES

MITCH COX
CONSTRUCTION, INC
801 Sunset Drive, Suite D-1
Johnson City, TN 37604
PHONE 423.282.6882
FAX 423.282.5905
mitchcox.com

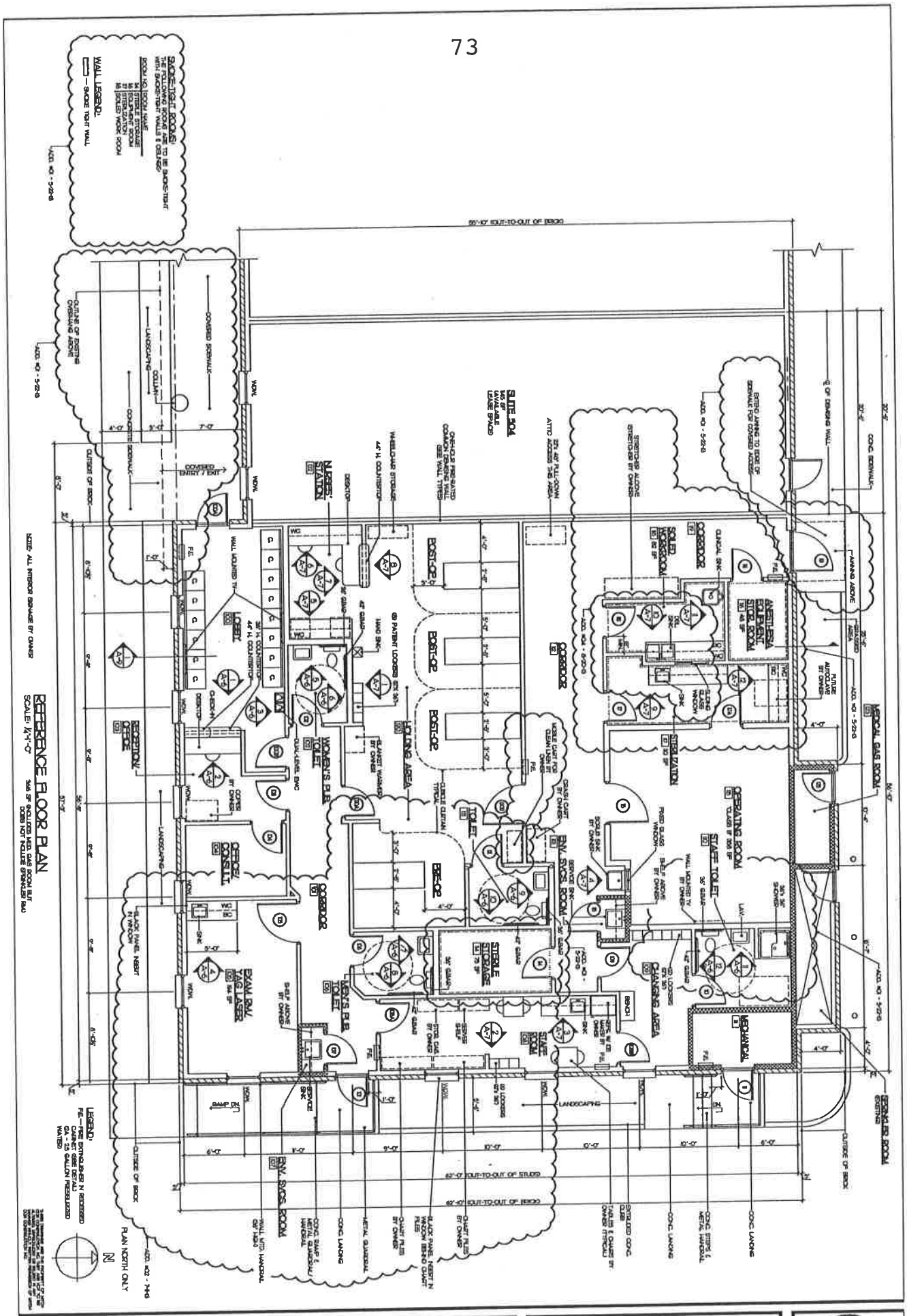
PROJECT: NEW OFFICE COMPLEX KNOWN AS:
WATERBROOKE PROFESSIONAL PARK
PHASE II BLDG. "E"
2328 KNOB CREEK ROAD JOHNSON CITY, TN

DATE: AUG. 30, '12
JOB NO.
REVISIONS:

SHEET DESCRIPTION
SITE PLAN

SHEET NUMBER
C-1
WATERBROOKE

B.IV.--Floor Plan



SHEET NUMBER: A-1 REEVES EYE	SHEET DESCRIPTION: REFERENCE FLOOR PLAN	DATE: MAY 2, '19 JOB NO. 1445 REVISIONS: ADD. #1 - 5-23-19 ADD. #2 - 7-1-19 ADD. #3 - 9-20-19	PROJECT: NEW SURGERY CENTER FOR: THE REEVES EYE SURGERY CENTER PHASE II BLDG. 'E' SUITE 500 2328 KNOB CREEK ROAD JOHNSON CITY, TN

MITCH COX CONSTRUCTION, INC.
801 Sunset Drive, Suite D-1
Johnson City, TN 37604
PHONE 423.282.6582
FAX 423.282.5903
mitchcox.com

C, Need--1.A.3.e.
Qualifications

Wayne M. Woodbury M.D.
44 Pine Acres Circle
Pine Valley, Utah 84781
(912) 596-2341
drwoodbury@gmail.com

Education

Medical College of Wisconsin Affiliated Hospitals **Residency/Internship** Physical Medicine and Rehabilitation	1989-1993
Medical College of Wisconsin Affiliated Hospitals **Doctor of Medicine**	1989
Arizona State University **B.S. Microbiology** Graduate Magna Cum Laude National Honor Society	1985

Work Experience

Zion Pain Management St. George, UT	2013-present
Memorial Health University Hospital Physicians	2010-2013
Center for Advanced Pain Management	2006-2010
Neurological Institute of Savannah	1996-2006
Out Patient Medical Director	1993-1996
Franklin Rehab, Johnson City, TN Chief Resident PM&R Training	1992-1993
Psychiatric Officer Zablocki Veteran's Hospital Milwaukee, Wisconsin	1991-1993

Licensure

State of Utah	#8397828-8905	2013-current
State of Georgia	#0429787	1996-current
State of Tennessee	#024642	1993-1996
DEA	#BW3367465	4-26-04-current
DEA Narcotic Dependency	#XW3367465	4-26-04-current

Board Status Board Certification in Physical Medicine and Rehabilitation with Maintenance of Certification February 2014

Related Experience/CME

Consultant—Meeting of The Minds—Medtronics 2000
Orlando, FL

Course Completion, Narcotic Dependency American Psychiatric Association
Savannah, GA 2004

Course Completion, Radio Frequency Neuroalblation 2005
Phoenix, AZ

4-Day Interventional Pain Management Anatomical Workshop 2007
Hilton Head, SC

University of Pennsylvania School of Medicine 2007
MEDPAGE Today Briefing
Savannah, GA

Rapid-Rheumatoid Arthritis: Primary Care Initiative
For Improved Diagnosis and Outcomes
Savannah, GA 2007

Strategies for Reducing Low-Density Lipoprotein
Cholesterol 2007
Savannah, GA

Treatment Regimens for RA, CV, and GI Risks 2007

Family Practice Resident Lecture on Generation, Propagation 2012
And central interpretation and modulation of pain

Publications and Papers

"Temperature Monitoring During EMG/NCS of the Median Nerve"
Muscle and Nerve 1993

Languages
English
Spanish

Memberships/Honors

American Academy of Physical Medicine and Rehabilitation

Southern Society of Physical Medicine and Rehabilitation

Wilderness Medicine

Better Business Bureau

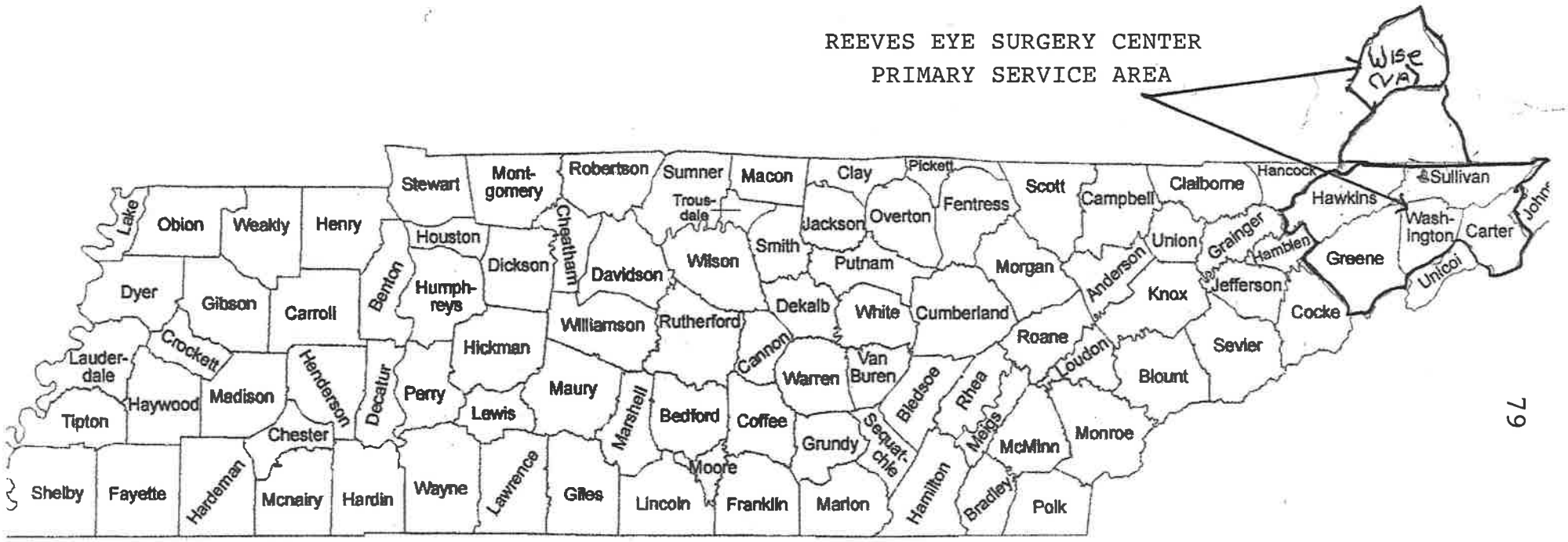
Consumer's Research Counsel of America—Top Physicians 2006

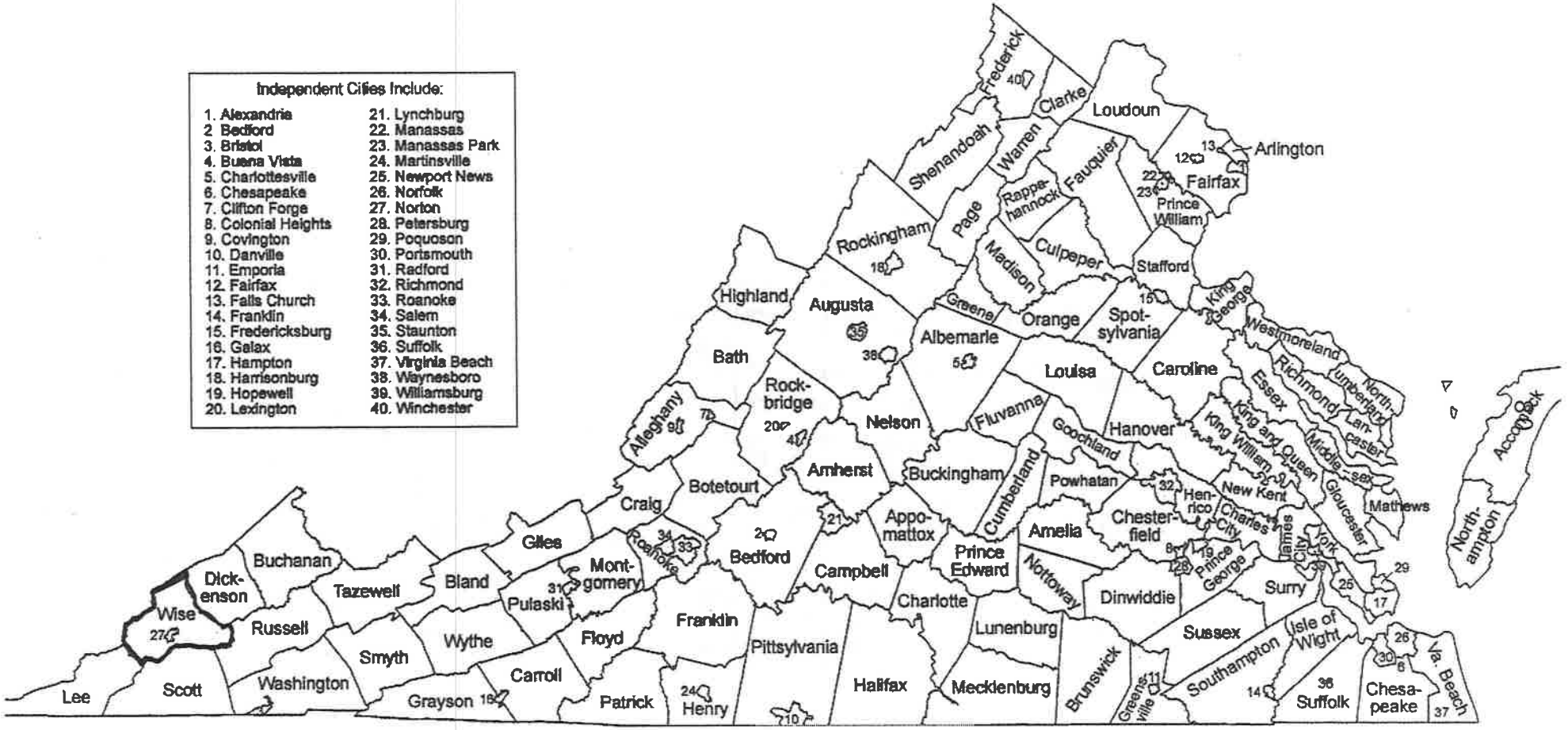
American Medical Association

Georgia Medical Association

C, Need--3
Service Area Maps

REEVES EYE SURGERY CENTER
PRIMARY SERVICE AREA





Printable Maps From:
terproof Paper.com

C, Economic Feasibility--2
Documentation of Availability of Funding

October 14, 2015

Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Reeves Surgery Center-- Addition of Pain Management Equipment

Dear Mrs. Hill:

This letter is provide assurance that (name of bank) is familiar with the Reeves Eye Surgery Center's Certificate of Need proposal to add pain management services to its facility in Johnson City.

Upon submittal and approval of a formal financing application, we would expect to be able to provide loan financing for that project. We understand that it would require approximately $176,000 of funding to complete the Certificate of Need process and to purchase required equipment.

The loan package on this project would of course reflect market conditions at the time of loan approval. Currently we would expect such a loan to carry an interest rate of approximately 3.05%, for a term of 5 years. Attached is an amortization schedule reflecting that estimate.

We look forward to helping with the financing of this project once the CON is approved.

Sincerely,

Michael Hill
SVP/Tri Cities Market Executive
First Citizens Bank
1067 Hamilton Place
Johnson City, TN 37604

First Citizens Bank

FIRST CITIZENS BANK

Loan Amortization Schedule

Scheduled Cash Flows @ Contract Rate

Loan Information	Total Amount Financed	$176,000.00
	Contract Rate	3.05%
	Amortization (# months)	60
	Maturity (# months)	60
	Aggregate Payment Amount	$3,166.40

	Total Payments	Interest Payments	Principal Payments
Year 1	$37,996.82	$4,907.99	$33,088.83
Year 2	$37,996.82	$3,884.55	$34,112.27
Year 3	$37,996.82	$2,829.46	$35,167.36
Year 4	$37,996.82	$1,741.73	$36,255.09
Year 5	$37,996.82	$620.36	$37,376.46
Total Yrs 1 - 5	**$189,984.10**	**$13,984.10**	**$176,000.00**

Totals based on full amortization	**$189,984.10**	**$13,984.10**	**$176,000.00**

This analysis is provided for your convenience. The accuracy of the analysis and its applicability to your circumstances is not guaranteed. It is not intended as an advertisement, a disclosure statement under any consumer law, or an offer of tax, legal, financial or investment advice. It is not a guarantee of the availability of any particular loan product or interest rate, or an offer to make a loan. You should evaluate the merits and risks associated with relying on any information provided, and consult your own professional advisors prior to taking any action based upon this information.

Month	Beginning of Period Principal Balance	Total Payments	Interest Payments	Principal Payments
1	$176,000.00	$3,166.40	$447.33	$2,719.07
2	$173,280.93	$3,166.40	$440.42	$2,725.98
3	$170,554.95	$3,166.40	$433.49	$2,732.91
4	$167,822.04	$3,166.40	$426.55	$2,739.85
5	$165,082.19	$3,166.40	$419.58	$2,746.82
6	$162,335.37	$3,166.40	$412.60	$2,753.80
7	$159,581.57	$3,166.40	$405.60	$2,760.80
8	$156,820.78	$3,166.40	$398.59	$2,767.82
9	$154,052.96	$3,166.40	$391.55	$2,774.85
10	$151,278.11	$3,166.40	$384.50	$2,781.90
11	$148,496.21	$3,166.40	$377.43	$2,788.97
12	$145,707.23	$3,166.40	$370.34	$2,796.06
13	$142,911.17	$3,166.40	$363.23	$2,803.17
14	$140,108.00	$3,166.40	$356.11	$2,810.29
15	$137,297.71	$3,166.40	$348.97	$2,817.44
16	$134,480.27	$3,166.40	$341.80	$2,824.60
17	$131,655.67	$3,166.40	$334.62	$2,831.78
18	$128,823.90	$3,166.40	$327.43	$2,838.97
19	$125,984.92	$3,166.40	$320.21	$2,846.19
20	$123,138.73	$3,166.40	$312.98	$2,853.42

21	$120,285.31	$3,166.40	$305.73	$2,860.68
22	$117,424.63	$3,166.40	$298.45	$2,867.95
23	$114,556.68	$3,166.40	$291.16	$2,875.24
24	$111,681.45	$3,166.40	$283.86	$2,882.54
25	$108,798.90	$3,166.40	$276.53	$2,889.87
26	$105,909.03	$3,166.40	$269.19	$2,897.22
27	$103,011.81	$3,166.40	$261.82	$2,904.58
28	$100,107.23	$3,166.40	$254.44	$2,911.96
29	$97,195.27	$3,166.40	$247.04	$2,919.36
30	$94,275.91	$3,166.40	$239.62	$2,926.78
31	$91,349.13	$3,166.40	$232.18	$2,934.22
32	$88,414.90	$3,166.40	$224.72	$2,941.68
33	$85,473.22	$3,166.40	$217.24	$2,949.16
34	$82,524.06	$3,166.40	$209.75	$2,956.65
35	$79,567.41	$3,166.40	$202.23	$2,964.17
36	$76,603.24	$3,166.40	$194.70	$2,971.70
37	$73,631.54	$3,166.40	$187.15	$2,979.25
38	$70,652.29	$3,166.40	$179.57	$2,986.83
39	$67,665.46	$3,166.40	$171.98	$2,994.42
40	$64,671.04	$3,166.40	$164.37	$3,002.03
41	$61,669.01	$3,166.40	$156.74	$3,009.66
42	$58,659.35	$3,166.40	$149.09	$3,017.31
43	$55,642.04	$3,166.40	$141.42	$3,024.98
44	$52,617.07	$3,166.40	$133.74	$3,032.67
45	$49,584.40	$3,166.40	$126.03	$3,040.37
46	$46,544.02	$3,166.40	$118.30	$3,048.10
47	$43,495.92	$3,166.40	$110.55	$3,055.85
48	$40,440.07	$3,166.40	$102.79	$3,063.62
49	$37,376.46	$3,166.40	$95.00	$3,071.40
50	$34,305.05	$3,166.40	$87.19	$3,079.21
51	$31,225.84	$3,166.40	$79.37	$3,087.04
52	$28,138.81	$3,166.40	$71.52	$3,094.88
53	$25,043.93	$3,166.40	$63.65	$3,102.75
54	$21,941.18	$3,166.40	$55.77	$3,110.63
55	$18,830.54	$3,166.40	$47.86	$3,118.54
56	$15,712.00	$3,166.40	$39.93	$3,126.47
57	$12,585.53	$3,166.40	$31.99	$3,134.41
58	$9,451.12	$3,166.40	$24.02	$3,142.38
59	$6,308.74	$3,166.40	$16.03	$3,150.37
60	$3,158.37	$3,166.40	$8.03	$3,158.37

C, Economic Feasibility--10
Financial Statements

12:21 PM
09/16/15
Cash Basis

Reeves Eye Surgery Center, LLC
Balance Sheet
All Transactions

	Sep 16, 15
ASSETS	
Current Assets	
Checking/Savings	
SUNTRUST	22,394.65
Jefferson Federal Bank	-44,265.78
TriSummit Money Market Account	6,398.23
TriSummitBank	182.54
Total Checking/Savings	-15,290.36
Total Current Assets	-15,290.36
Fixed Assets	
Accumulated Depreciation	-162,087.67
Medical Equipment	156,256.50
Furniture and Equipment	46,378.48
Total Fixed Assets	40,547.31
Other Assets	
Start-Up Costs - N/C til 2014	113,403.40
Total Other Assets	113,403.40
TOTAL ASSETS	**138,660.35**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	10,123.30
Total Accounts Payable	10,123.30
Credit Cards	
American Express #51005	6,418.25
Chase Marriott Rewards Card	12,963.90
Total Credit Cards	19,382.15
Other Current Liabilities	
Due to REI	66,806.58
Line of Credit - Jef Fed 3212	147,236.64
Total Other Current Liabilities	214,043.22
Total Current Liabilities	243,548.67
Total Liabilities	243,548.67
Equity	
Members Draw	-27,827.81
Members Equity	206,264.46
Net Income	-283,324.97
Total Equity	-104,888.32
TOTAL LIABILITIES & EQUITY	**138,660.35**

Reeves Eye Surgery Center, LLC

Profit & Loss
January through December 2014

REEVES EYE SURGERY CENTER, LLC	Jan - Dec 14
Ordinary Income/Expense	
Income	
Fee for Service Income	287,557.47
Refunds	-2,292.00
Total Income	285,265.47
Gross Profit	285,265.47
Expense	
Advertising and Promotion	678.30
Amortization Expense	8,100.24
Automobile Expense	65.27
Bank Service Charges	2,333.33
Business Licenses and Permits	308.25
Computer and Internet Expenses	9,787.40
Consulting	6,200.00
Continuing Education	1,144.36
Contract Labor	150,837.80
Depreciation Expense	162,087.67
Dues and Subscriptions	903.00
Insurance Expense	2,372.16
Interest Expense	5,783.37
Janitorial Expense	8,130.85
Licenses & Permits	1,469.00
Maintenance Fees	9,172.67
Meals and Entertainment	2,063.20
Medical Records and Supplies	91,586.48
Office Supplies	4,537.08
Other Expenses	3,637.29
Professional Fees	
Credentialling	2,324.09
Professional Fees - Other	37,496.85
Total Professional Fees	39,820.94
Rent Expense	56,949.16
Repairs and Maintenance	2,285.93
Small Medical Equipment	9,482.29
Taxes	5,757.12
Travel Expense	
Travel Fuel	347.32
Travel Expense - Other	789.70
Total Travel Expense	1,137.02
Uniforms	1,384.79
Utilities	12,659.24
Vaccines and Medicines	35,800.45
Total Expense	636,474.66
Net Ordinary Income	-351,209.19
Other Income/Expense	
Other Income	
Interest Income	1.08
Total Other Income	1.08
Net Other Income	1.08
Net Income	-351,208.11

REEVES EYE SURGERY CENTER, LLC	Jan - Jul 15
Ordinary Income/Expense	
Income	
Fee for Service Income	340,860.79
Refunds	-849.28
Total Income	340,011.51
Gross Profit	340,011.51
Expense	
Credit Card Payments	1,567.00
Uncategorized Expenses	192.57
Lenses	42,727.48
Advertising and Promotion	2,448.10
Automobile Expense	63.39
Bank Service Charges	5,299.17
Computer and Internet Expenses	5,092.19
Consulting	4,872.96
Dues and Subscriptions	210.00
Insurance Expense	1,906.67
Interest Expense	3,205.09
Janitorial Expense	8,804.46
Laboratory Fees	150.00
Licenses & Permits	188.00
Maintenance Fees	7,498.00
Meals and Entertainment	122.06
Medical Records and Supplies	37,229.70
Office Supplies	766.93
Other Expenses	2,868.00
Professional Fees	
Credentialling	4,175.00
Professional Fees - Other	35,866.00
Total Professional Fees	40,041.00
Rent Expense	54,250.00
Repairs and Maintenance	2,010.00
Small Medical Equipment	10,024.73
Travel Expense	
Travel Fuel	33.27
Total Travel Expense	33.27
Utilities	10,219.36
Vaccines and Medicines	22,444.54
Total Expense	264,234.67
Net Ordinary Income	75,776.84
Other Income/Expense	
Other Expense	
Ask My Accountant	40,408.50
Total Other Expense	40,408.50
Net Other Income	-40,408.50
ncome	35,368.34

C, Orderly Development--7(C)
Licensing & Accreditation Inspections

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
5904 LYONS VIEW PIKE, BLDG. 1
KNOXVILLE, TENNESSEE 37919

January 9, 2014

Ms. Darlene Morrell, Administrator
Reeves Eye Surgery Center, LLC
2328 Knob Road, Suite 500
Johnson City, TN 37604

Dear Ms. Morrell:

The East Tennessee Regional Office conducted an initial licensure survey at your facility on January 6 and 8, 2014. As a result of this survey, no deficient practice was found.

If you have any questions concerning this letter, please contact the East Tennessee Regional Office at (865) 588-5656 or by fax at (865) 594-5739.

Sincerely,

Karen B. Kirby, R.N.
Regional Administrator
East TN Health Care Facilities

KBK:cvb

PRINTED: 01/09/2014
FORM APPROVED

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNPL535223	A. BUILDING: _____ B. WING _____	01/08/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
REEVES EYE SURGERY CENTER, LLC	2328 KNOB ROAD SUITE 500 JOHNSON CITY, TN 37604

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
A 002	1200-8-10 No Deficiencies During the initial licensure survey conducted on January 8, 2014, at Reeves Eye Surgery Center, no deficiencies were cited under chapter 1200-8-10, Standards for Ambulatory Surgery Treatment Centers.	A 002		

Division of Health Care Facilities
LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

PRINTED: 01/08/2014
FORM APPROVED

Division of Health Care Facilities

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNPL535223	A. BUILDING: 01 - MAIN B. WING _____	01/06/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
REEVES EYE SURGERY CENTER, LLC	2328 KNOB ROAD SUITE 500 JOHNSON CITY, TN 37604

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
A 002	1200-8-10 No Deficiencies During the initial Life Safety portion of the survey conducted on January 6, 2014, no licensure deficiencies were cited under chapter 1200-8-10, Standards for Ambulatory Surgical Treatment Centers.	A 002		

Division of Health Care Facilities
LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

The Joint Commission

The Reeves Eye Surgery Center, LLC
2328 Knob Creek Road, Suite 500
Johnson City, TN 37604-2100

Organization Identification Number: 563580

Initial Full Event: 9/10/2014 - 9/11/2014

Report Contents

Executive Summary

Requirements for Improvement

Observations noted within the Requirements for Improvement (RFI) section require follow up through the Evidence of Standards Compliance (ESC) process. The timeframe assigned for completion is due in either 45 or 60 days, depending upon whether the observation was noted within a direct or indirect impact standard. The identified timeframes of submission for each observation are found within the Requirements for Improvement Summary portion of the final onsite survey report. If a follow-up survey is required, the unannounced visit will focus on the requirements for improvement although other areas, if observed, could still become findings. The time frame for performing the unannounced follow-up visit is dependent on the scope and severity of the issues identified within the Requirements for Improvement.

Opportunities for Improvement

Observations noted within the Opportunities for Improvement (OFI) section of the report represent single instances of non-compliance noted under a C category Element of Performance. Although these observations do not require official follow up through the Evidence of Standards Compliance (ESC) process, they are included to provide your organization with a robust analysis of all instances of non-compliance noted during survey.

Plan for Improvement

The Plan for Improvement (PFI) items were extracted from your Statement of Conditions™ (SOC) and represent all open and accepted PFIs during this survey. The number of open and accepted PFIs does not impact your accreditation status, and is fully in sync with the self-assessment process of the SOC. The implementation of Interim Life Safety Measures (ILSM) must have been assessed for each PFI. The Projected Completion Date within each PFI replaces the need for an individual ESC (Evidence of Standards Compliance) so the corrective action must be achieved within six months of the Projected Completion Date. Future surveys will review the completed history of these PFIs.

Executive Summary

Program(s)	Survey Date(s)
Ambulatory Health Care Accreditation	09/10/2014-09/11/2014

As a result of the survey conducted on the above date(s), the following survey findings have been identified. Your official report will be posted to your organization's confidential extranet site. It will contain specific follow-up instructions regarding your survey findings.

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

Requirements for Improvement – Summary

Observations noted within the Requirements for Improvement (RFI) section require follow up through the Evidence of Standards Compliance (ESC) process. The timeframe assigned for completion is due in either 45 or 60 days, depending upon whether the observation was noted within a direct or indirect impact standard. The identified timeframes of submission for each observation are found within the Requirements for Improvement Summary portion of the final onsite survey report. If a follow-up survey is required, the unannounced visit will focus on the requirements for improvement although other areas, if observed, could still become findings. The time frame for performing the unannounced follow-up visit is dependent on the scope and severity of the issues identified within the Requirements for Improvement.

DIRECT Impact Standards:

Program:	Ambulatory Health Care Accreditation Program	
Standards:	MM.01.02.01	EP2
	PC.02.01.09	EP3

INDIRECT Impact Standards:

Program:	Ambulatory Health Care Accreditation Program	
Standards:	WT.05.01.01	EP4

The Joint Commission

Findings

Requirements for Improvement – Detail

Chapter: Medication Management

Program: Ambulatory Health Care Accreditation

Standard: MM.01.02.01

Standard Text: The organization addresses the safe use of look-alike/sound-alike medications.

Element(s) of Performance:

2. The organization takes action to prevent errors involving the interchange of the medications on its list of look-alike/sound-alike medications.
Note: This element of performance is also applicable to sample medications.

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 2
Observed in Medical Management Session at The Reeves Eye Surgery Center, LLC (2328 Knob Creek Road, Suite 500, Johnson City, TN) site.
In the PACU medication storage cabinet it was noted that multidose vials of 1% Lidocaine with 1:100,000 epinephrine and 2% Lidocaine with 1:100,000 epinephrine were stored next to each without separation. The vials were identical in size and both contained red tops and red labels.

Chapter: Provision of Care, Treatment, and Services

Program: Ambulatory Health Care Accreditation

Standard: PC.02.01.09

Standard Text: The organization plans for and responds to life-threatening emergencies.

Element(s) of Performance:

3. The organization responds to life-threatening emergencies according to its policies and procedures.

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 3
Observed In Tracer Activities at The Reeves Eye Surgery Center, LLC (2328 Knob Creek Road, Suite 500, Johnson City, TN) site.
During tracer activity it was noted that the laryngoscope handle was missing from the anesthesia cart in the operating room. This piece of equipment would have been essential to respond to an intraoperative resuscitation event. A backup unit was located outside the operating room in the organization's crash cart. Leadership took immediate corrective action during the course of the tracer activity.

The Joint Commission
Findings

Chapter: Waived Testing

Program: Ambulatory Health Care Accreditation

Standard: WT.05.01.01

Standard Text: The organization maintains records for waived testing.

Element(s) of Performance:

4. Individual test results for waived testing are associated with quality control results and instrument records.
Note: A formal log is not required, but a functional audit trail is maintained that allows retrieval of individual test results and their association with quality control and instrument records.

Scoring Category : A
Score : Insufficient Compliance

Observation(s):

EP 4
Observed in Tracer Activities at The Reeves Eye Surgery Center, LLC (2328 Knob Creek Road, Suite 500, Johnson City, TN) site.
In review of documentation and discussion with leadership it was noted that individual glucose tests results were not associated with quality control results and instrument records.

Opportunities for Improvement – Summary

Observations noted within the Opportunities for Improvement (OFI) section of the report represent single instances of non-compliance noted under a C category Element of Performance. Although these observations do not require official follow up through the Evidence of Standards Compliance (ESC) process, they are included to provide your organization with a robust analysis of all instances of non-compliance noted during survey.

Program:	Ambulatory Health Care Accreditation Program	
Standards:	MM.03.01.01	EP7

Opportunities for Improvement – Detail

Chapter: Medication Management

Program: Ambulatory Health Care Accreditation

Standard: MM.03.01.01

Standard Text: The organization safely stores medications.

Element(s) of Performance:

7. All stored medications and the components used in their preparation are labeled with the contents, expiration date, and any applicable warnings.
Note: This element of performance is also applicable to sample medications.

Scoring Category : C
Score : Satisfactory Compliance

Observation(s):

EP7
Observed in Medication Management Tracer at The Reeves Eye Surgery Center, LLC (2328 Knob Creek Road, Suite 500,Johnson City,TN) site.
During tracer activities it was noted that a multi-dose vial of 1% Lidocaine in the PACU medication cabinet was opened but not include an expiration date.

Plan for Improvement - Summary

The Plan for Improvement (PFI) items were extracted from your Statement of Conditions™ (SOC) and represent all open and accepted PFIs during this survey. The number of open and accepted PFIs does not impact your accreditation status, and is fully in sync with the self-assessment process of the SOC. The implementation of Interim Life Safety Measures (ILSM) must have been assessed for each PFI. The Projected Completion Date within each PFI replaces the need for an individual ESC (Evidence of Standards Compliance) so the corrective action must be achieved within six months of the Projected Completion Date. Future surveys will review the completed history of these PFIs.

Number of PFIs: 0

A full description of your organization's locked PFIs can be found within the Statement of Conditions on your organization's Joint Commission Connect Extranet and will be included in the final report which will be posted to your organization's extranet site.

Miscellaneous Information

Supplemental #1
-COPY-

Reeves Eye Surgery
CN1510-046

DSG Development Support Group

SUPPLEMENTAL #1
October 28, 2015
2:20 pm

October 27, 2015

Jeff Grimm, HSD Examiner
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: CON Application #1510-046
Reeves Eye Surgery Center

Dear Mr. Grimm:

This letter responds to your recent request for additional information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

1. **Section A, Applicant Profile, Item 3**
   Does the applicant intend to expand the ownership of the LLC in the future to pain management physician members of the ASTC's medical staff? If so, how?

   The applicant has no plans to expand the ownership of the LLC.

2. **Section A, Item 6**
   It is noted that Dr. Reeves holds sole ownership interest in the site of the ASTC and has a 20-year lease agreement ending 11/01/2033 with the applicant LLC. Since it appears that pain management physician members of the applicant's medical staff will use the facility exclusively to perform their surgical cases on days eye surgery cases will not be performed, please clarify the reason a sublease or shared use agreement for the use of the facility would not be relevant to this project.

   Dr. Woodbury's present need is only to relocate a block of cases that cannot be kept in the office, due to financial losses on them when they are reimbursed in an office setting. To accomplish that, he only needs to perform them at any licensed surgical facility where he has privileges. Neither he nor any prospective facility needs to enter into a sublease or shared use agreement. Such agreements would be appropriate if Dr. Woodbury were seeking his own CON, his own licensure, and his own entitlement to facility fee reimbursement--but he seeks none of those. Nor is the Reeves Eye Surgery Center offering to lease or to sell any interest in its facility at this time.

4219 Hillsboro Road, Suite 203
Nashville, TN 37215
jwdsg@comcast.net
Tel 615.665.2022
Fax 615.665.2042

SUPPLEMENTAL #1
October 28, 2015
2:20 pm

3. **Section B, (Project Description) Item II**

a. Given the change to the scope of surgical services approved in CN1209-045A, is there an operating agreement or similar form of arrangement between the applicant, the pain management physician(s) and his/her medical group that addresses the proposed plans pertaining to the following items:

-- Identifying an established or "blocked" operating hour schedule for pain management cases on days the facility will not be used for eye surgery cases,
--Identifying arrangement for reimbursement of the facility and professional fee for pain management cases performed by Dr. Woodbury,
--Identifying obligations pertaining to cost sharing for services provided by clinical and administrative support staff and cost sharing for the equipment purchases noted on p. 9,

If not, please clarify why such an arrangement is not necessary.

There is no such arrangement now, or contemplated. The applicant needs only to grant surgical privileges to Dr. Woodbury, once the Reeves Eye Surgery Center ("RESC") receives CON approval to perform pain management cases. The RESC's staff will schedule pain management cases on a space-available basis, which currently is three weekdays a week. If Dr. Reeves' ophthalmology practice increases substantially in the future, through addition of partners, there may not be room for pain management cases; and Dr. Reeves wishes to maintain flexibility to fully utilize the O.R. for ophthalmology cases if needed.

Dr. Woodbury is not requesting or being offered ownership--without which it is unlawful for the RESC to share facility fee reimbursement with him. Nor is cost-sharing appropriate; the facility's technical fee is supposed to cover the cost of providing the surgical environment for his cases.

SUPPLEMENTAL #1
October 28, 2015
2:20 pm

b. As noted elsewhere in the application (e.g. comments on page 24), it appears that the pain management physician can bring approximately 600 cases to the applicant facility in the first year of the project. What percentage of his total cases does this represent for the most recent 12-month period? In your response, please also briefly describe the following:

--Examples of surgical cases that will work best at this type of facility
--Examples of patient conditions that are good candidates for the pain management services.

Case data of physicians in the East Tennessee Brain and Spine is confidential practice information. However, the cases he has attested to bringing to the RESC in this project will not be half of all cases he has performed in the past year at his practice office.

The most numerous types of cases he intends to perform at the RESC are listed in Table Nine on page 37 of the application. They involve fluoroscopy-guided injections to the neck and spine and to various other nerve centers in the body. The cases address chronic and acute pain throughout the body--neck pain, back pain, hip pain, and joint pain in the extremities (hand, arm, foot, leg). These are patients for whom medicinal treatment plans have not effectively managed the pain. They are typically patients whose pain comes from a recent injury or acquired medical illness that persists, and evolves into chronic pain. The surgical treatments are designed to relieve that pain to the extent possible, so that the patient can live a normal life.

Attached after this page is a listing and description of pain management procedures, many of which will be performed at RESC if this project is approved.

SUPPLEMENTAL #1
October 28, 2015
2:20 pm

FREQUENTLY PERFORMED PAIN MANAGEMENT PROCEDURES DEFINED

DEFINITIONS	
Epidural Space	The spinal cord has a protective covering called the dura. The area around the dura is the "epidural space". Low back is "lumbar epidural space". Neck area is referred to "cervical epidural space" and mid back is known as "thoracic" epidural space.
Transforaminal	Injections into the spine, with needles positioned from the side. More difficult than interlaminar.
Interlaminar	Injections into the back of the spine.
Fluoroscope	A special type of X-Ray machine that specialists use to view the anatomy of the spine, to ensure precise placement of the needle to reduce risk and ensure maximum pain relief.
Medial Branch Nerve	Nerves that are near facet joints, transmit pain signals to the brain.
Diagnosis	Interventional spine physicians use a variety of methods including physicial exam, X-Ray or MRI or interventional spine procedures to re-create the pain to correctly diagnose the condition causing the patient's pain.
Facet Joint	Facet joints connect the vetebrae and help guide the spine during movement. Facet joints are found on both sides of the spine.
Vertebrae	Bones within the spine.
Discs	Soft cushions inbetween the vertebrae, support movement and stability.

PROCEDURE NAME	CPT DESCRIPTION	CPT CODES	PAIN CONDITION	DESCRIPTION
Lumbar Transforaminal Epidural Steriod Injection	Lumbar / sacral transforaminal epidural injection	64483	To treat lower back and radiating leg pain. Conditions such as herniated discs, bone spurs or other injury can cause inflammation and pain of the nerve roots near the injury or condition.	In this procedure, a local anesthetic is used to numb the skin. The surgeon will insert a long needle to reach the epidural space. Using the fluoroscope, the physician will view the needle insertion and placement near the spinal cord. A dye is injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine in injected into the epidural space, between vertebrae. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
	Lumbar / sacral epidural injection -Additional Level	64484		
Facet Joint Injection	Paravertebral facet join nerve: lumbar/sacral 1st level	64493	Chronic Low Back Pain resulting from injury to the cartilage inside the joint or the connecting ligaments surrounding the joint.	In this procedure, a local anesthetic is used to numb the skin. Using the fluoroscope, a thin needle will be injected into one or more facet joints. A dye may be injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into one or more facet joints. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
	Paravertebral facet join nerve: lumbar/sacral additional levels	64494		
Cervical Transforaminal Epidural Injection	Cervical Transforaminal epidural injection (may be used with code 64480)	64479	Pain in the neck or upper back, caused by disc or dural inflammation. Pain that travels to the arm, is caused by inflammatinon of the nerve root.	In this procedure, a local anesthetic is used to numb the skin. The physician surgeon will insert a long needle to reach the epidural space in the neck. Using the fluoroscope, the physician will take the more challenging transforaminal approach, view the needle insertion and placement near the spinal cord. A dye is injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into the epidural space in the neck, between vertebrae. Cervical procedures are more challenging than lumbar, and have a higher degree of risk due to the smaller anatomy of the cervical spine. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Cervical Interlaminar Epidural	Cervical Epidural	62310	Pain in the neck or upper back, caused by disc or dural inflammation. Pain that travels to the arm, is caused by inflammatinon of the nerve root.	In this procedure, a local anesthetic is used to numb the skin. The physician surgeon will insert a long needle to reach the epidural space in the neck. Using the fluoroscope, the physician will enter the neck from the back, view the needle insertion and placement near the spinal cord. A dye is injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into the epidural space in the neck, between vertebrae. Cervical procedures are more challenging and have a higher degree of risk than lumbar, due to the smaller anatomy of the cervical spine. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Major Joint Injection	Major Joint injection	20610	Pain or inflammation from a major joint.	A needle is directed into the joint, either "blind" or under fluoroscopic (X-ray) direction. Local anesthetic is usually combined with steroid and injected. Suitible jolints include the knee, shoulder, and hip.
Radiofrequency Ablation	Destruction by neurolytic agent, paravertebral facet joint nerve: lumbar or sacral, - additional level (Code is billed with 64622)	64623	Pain resulting in the low back, buttock, hip and groin pain.	In this procedure, radiofrequency energy is used to disrupt the function of a medial branch nerve so it is unable to transmit pain signals from the lower spine to the brain. The physician uses flouroscopy to guide the needle placement near the facet joint. The target suspect nerve will be stimulated, and upon confirmation the nerve will be destroyed with radiofrequency.

SUPPLEMENTAL #1
October 28, 2015
2:20 pm

PROCEDURE NAME	CPT DESCRIPTION	CPT CODES	PAIN CONDITION	DESCRIPTION
Cervical and Thoracic Facet Joint Injection	Cervical and Thoracic Facet Joint Injection-1st level (sometimes used with codes 64491, 64492)	64490	Chronic neck or upper back pain resulting from injury to the cartilage inside the joint or the connecting ligaments surrounding the joint.	In this procedure, a local anesthetic is used to numb the skin. Using the fluoroscope, a thin needle will be injected into one or more facet joints in the neck or upper back. A dye may be injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into one or more facet joints. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Radiofrequency Ablation	Destruction by neurolytic agent, paravertebral facet joint nerve: lumbar or sacral, (Code is billed with 64623)	64635 64622	Pain resulting in the low back, buttock, hip and groin pain.	In this procedure, radiofrequency energy is used to disrupt the function of a medial branch nerve so it is unable to transmit pain signals from the lower spine to the brain. The physician uses flouroscopy to guide the needle placement near the facet joint. The target suspect nerve will be stimulated, and upon confirmation the nerve will be destroyed with radiofrequency.
Cervical and Thoracic Facet Joint Injection	Cervical and thoracic facet joint injections- 2nd level (Used with codes64490)	64491	Cronic neck or upper back pain resulting from injury to the cartilage inside the joint or the connecting ligaments surrounding the joint.	In this procedure, a local anesthetic is used to numb the skin. Using the fluoroscope, a thin needle will be injected into one or more facet joints in the neck or upper back. A dye may be injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into one or more facet joints. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Cervical and Thoracic Facet Joint Injection	Cervical and thoracic facet joint injections- 2nd level (Used with codes64490)	64492	Chronic neck or upper back pain resulting from injury to the cartilage inside the joint or the connecting ligaments surrounding the joint.	In this procedure, a local anesthetic is used to numb the skin. Using the fluoroscope, a thin needle will be injected into one or more facet joints in the neck or upper back. A dye may be injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into one or more facet joints. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Lumbar Interlaminar Epidural Steriod Injection	Lumbar /caudal Epidural	62311	To treat lower back and radiating leg pain. Conditions such as hemiated discs, bone spurs or other injury can cause inflammation and pain of the nerve roots near the injury or condition.	In this procedure, a local anesthetic is used to numb the skin. The physician surgeon will insert a long needle to reach the epidural space. Using the fluoroscope, the physician will view the needle insertion and placement near the spinal cord. A dye is injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine in injected into the epidural space, between vertebrae. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Trigger point injection Trigger point injection	Trigger points 1-2 trigger points 3 or more	20552 20553	Injured muscles can often form tight bands known as trigger points, which often respond well to a combination of injection, stretching, and physical therapy.	Trigger points are identified by palpation (deep touch). A needle is placed thru the skin and into the trigger point. When it is reached, a characteristic pain is reproduced. The trigger point is then injected with a local anesthetic, a steroid, or a combination of the 2.
	Cervical transformainal epidural injection add on (used with code 64479)	64480	Pain in the neck or upper back, caused by disc or dural inflammation. Pain that travels to the arm, is caused by inflammatinon of the nerve root.	In this procedure, a local anesthetic is used to numb the skin. The physician surgeon will insert a long needle to reach the epidural space in the neck. Using the fluoroscope, the physician will take the more challenging transforaminal approach, view the needle insertion and placement near the spinal cord. A dye is injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into the epidural space in the neck, between vertebrae. Cervical procedures are more challenging than lumbar, and have a higher degree of risk due to the smaller anatomy of the cervical spine. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.

SUPPLEMENTAL #1
October 28, 2015
2:20 pm

FREQUENTLY PERFORMED PAIN MANAGEMENT PROCEDURES DEFINED

DEFINITIONS	
Epidural Space	The spinal cord has a protective covering called the dura. The area around the dura is the "epidural space". Low back is "lumbar epidural space". Neck area is referred to "cervical epidural space" and mid back is known as "thoracic" epidural space.
Transforaminal	Injections into the spine, with needles positioned from the side. More difficult than interlaminar.
Interlaminar	Injections into the back of the spine.
Fluoroscope	A special type of X-Ray machine that specialists use to view the anatomy of the spine, to ensure precise placement of the needle to reduce risk and ensure maximum pain relief.
Medial Branch Nerve	Nerves that are near facet joints, transmit pain signals to the brain.
Diagnosis	Interventional spine physicians use a variety of methods including physicial exam, X-Ray or MRI or interventional spine procedures to re-create the pain to correctly diagnose the condition causing the patient's pain.
Facet Joint	Facet joints connect the vetebrae and help guide the spine during movement. Facet joints are found on both sides of the spine.
Vertebrae	Bones within the spine.
Discs	Soft cushions inbetween the vertebrae, support movement and stability.

PROCEDURE NAME	CPT DESCRIPTION	CPT CODES	PAIN CONDITION	DESCRIPTION
Lumbar Transforaminal Epidural Steriod Injection	Lumbar / sacral transforaminal epidural injection Lumbar / sacral epidural injection -Additional Level	64483 64484	To treat lower back and radiating leg pain. Conditions such as herniated discs, bone spurs or other injury can cause inflammation and pain of the nerve roots near the injury or condition.	In this procedure, a local anesthetic is used to numb the skin. The surgeon will insert a long needle to reach the epidural space. Using the fluoroscope, the physician will view the needle insertion and placement near the spinal cord. A dye is injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into the epidural space, between vertebrae. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Facet Joint Injection	Paravertebral facet join nerve: lumbar/sacral 1st level Paravertebral facet join nerve: lumbar/sacral additional levels	64493 64494	Chronic Low Back Pain resulting from injury to the cartilage inside the joint or the connecting ligaments surrounding the joint.	In this procedure, a local anesthetic is used to numb the skin. Using the fluoroscope, a thin needle will be injected into one or more facet joints. A dye may be injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into one or more facet joints. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Cervical Transforaminal Epidural Injection	Cervical Transforaminal epidural injection (may be used with code 64480)	64479	Pain in the neck or upper back, caused by disc or dural inflammation. Pain that travels to the arm, is caused by inflammatinon of the nerve root.	In this procedure, a local anesthetic is used to numb the skin. The physician surgeon will insert a long needle to reach the epidural space in the neck. Using the fluoroscope, the physician will take the more challenging transforaminal approach, view the needle insertion and placement near the spinal cord. A dye is injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into the epidural space in the neck, between vertebrae. Cervical procedures are more challenging than lumbar, and have a higher degree of risk due to the smaller anatomy of the cervical spine. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Cervical Interlaminar Epidural	Cervical Epidural	62310	Pain in the neck or upper back, caused by disc or dural inflammation. Pain that travels to the arm, is caused by inflammatinon of the nerve root.	In this procedure, a local anesthetic is used to numb the skin. The physician surgeon will insert a long needle to reach the epidural space in the neck. Using the fluoroscope, the physician will enter the neck from the back, view the needle insertion and placement near the spinal cord. A dye is injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into the epidural space in the neck, between vertebrae. Cervical procedures are more challenging and have a higher degree of risk than lumbar, due to the smaller anatomy of the cervical spine. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Major Joint Injection	Major Joint injection	20610	Pain or inflammation from a major joint.	A needle is directed into the joint, either "blind" or under fluoroscopic (X-ray) direction. Local anesthetic is usually combined with steroid and injected. Suitible joints include the knee, shoulder, and hip.
Radiofrequency Ablation	Destruction by neurolytic agent, paravertebral facet joint nerve: lumbar or sacral, - additional level (Code is billed with 64622)	64623	Pain resulting in the low back, buttock, hip and groin pain.	In this procedure, radiofrequency energy is used to disrupt the function of a medial branch nerve so it is unable to transmit pain signals from the lower spine to the brain. The physician uses flouroscopy to guide the needle placement near the facet joint. The target suspect nerve will be stimulated, and upon confirmation the nerve will be destroyed with radiofrequency.

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PROCEDURE NAME	CPT DESCRIPTION	CPT CODES	PAIN CONDITION	DESCRIPTION
Cervical and Thoracic Facet Joint Injection	Cervical and Thoracic Facet Joint Injection-1st level (sometimes used with codes 64491, 64492)	64490	Chronic neck or upper back pain resulting from injury to the cartilage inside the joint or the connecting ligaments surrounding the joint.	In this procedure, a local anesthetic is used to numb the skin. Using the fluoroscope, a thin needle will be injected into one or more facet joints in the neck or upper back. A dye may be injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into one or more facet joints. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Radiofrequency Ablation	Destruction by neurolytic agent, paravertebral facet joint nerve: lumbar or sacral, (Code is billed with 64623)	64635 64622	Pain resulting in the low back, buttock, hip and groin pain.	In this procedure, radiofrequency energy is used to disrupt the function of a medial branch nerve so it is unable to transmit pain signals from the lower spine to the brain. The physician uses flouroscopy to guide the needle placement near the facet joint. The target suspect nerve will be stimulated, and upon confirmation the nerve will be destroyed with radiofrequency.
Cervical and Thoracic Facet Joint Injection	Cervical and thoracic facet joint injections- 2nd level (Used with codes64490)	64491	Cronic neck or upper back pain resulting from injury to the cartilage inside the joint or the connecting ligaments surrounding the joint.	In this procedure, a local anesthetic is used to numb the skin. Using the fluoroscope, a thin needle will be injected into one or more facet joints in the neck or upper back. A dye may be injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into one or more facet joints. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Cervical and Thoracic Facet Joint Injection	Cervical and thoracic facet joint injections- 2nd level (Used with codes64490)	64492	Chronic neck or upper back pain resulting from injury to the cartilage inside the joint or the connecting ligaments surrounding the joint.	In this procedure, a local anesthetic is used to numb the skin. Using the fluoroscope, a thin needle will be injected into one or more facet joints in the neck or upper back. A dye may be injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into one or more facet joints. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Lumbar Interlaminar Epidural Steriod Injection	Lumbar /caudal Epidural	62311	To treat lower back and radiating leg pain. Conditions such as herniated discs, bone spurs or other injury can cause inflammation and pain of the nerve roots near the injury or condition.	In this procedure, a local anesthetic is used to numb the skin. The physician surgeon will insert a long needle to reach the epidural space. Using the fluoroscope, the physician will view the needle insertion and placement near the spinal cord. A dye is injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine in injected into the epidural space, between vertebrae. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.
Trigger point injection **Trigger point injection**	Trigger points 1-2 trigger points 3 or more	20552 20553	Injured muscles can often form tight bands known as trigger points, which often respond well to a combination of injection, stretching, and physical therapy.	Trigger points are identified by palpation (deep touch). A needle is placed thru the skin and into the trigger point. When it is reached, a characteristic pain is reproduced. The trigger point is then injected with a local anesthetic, a steroid, or a combination of the 2.
	Cervical transformainal epidural injection add on (used with code 64479)	64480	Pain in the neck or upper back, caused by disc or dural inflammation. Pain that travels to the arm, is caused by inflammatinon of the nerve root.	In this procedure, a local anesthetic is used to numb the skin. The physician surgeon will insert a long needle to reach the epidural space in the neck. Using the fluoroscope, the physician will take the more challenging transforaminal approach, view the needle insertion and placement near the spinal cord. A dye is injected to confirm the needle placement is in the correct position. Then an anti-inflammatory medicine is injected into the epidural space in the neck, between vertebrae. Cervical procedures are more challenging than lumbar, and have a higher degree of risk due to the smaller anatomy of the cervical spine. The patients will be observed in recovery for 30 minutes or more depending on level of sedation.

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c. In light of the applicant facility's 1 room OR for eye surgery cases, it appears that a sterile OR is needed to perform the proposed pain management cases. If this is not the case, please discuss conditions where use of a non-sterile procedure room would be acceptable for the proposed pain management cases.

Dr. Woodbury's cases need to be performed in a sterile surgical room. In the case of the RESC, the O.R. is all that is available. The procedure room at the RESC is dedicated to laser surgery, and it is too small to contain the operating table and C-arm that will be used for pain management cases, along with the laser equipment.

d. The applicant notes that the project involves bringing some of the in-office surgical cases of Dr. Woodbury, the pain management specialist of East Tennessee Brain and Spine, to its existing licensed single specialty ASTC with 1 OR. Assuming that Dr. Woodbury would not receive an appropriate share of the pain management cases that he will perform at the Reeves Eye Surgery Center ASTC, what is the financial benefit or incentive for him to transfer his cases to the applicant's ASTC?

If "share" means sharing in the facility fee revenues, that is not possible for anyone who is not an owner of the LLC. As explained, Dr. Woodbury is not being offered ownership. His financial incentive for moving these cases is his practice's incentive to reduce their losses on performing these cases in the office setting without adequate reimbursement.

That objective can be met by his moving the cases to any licensed surgical facility. He would prefer to use the RESC because of its ample availability of O.R. time. If the CON is not granted to the RESC, then Dr. Woodbury is able to move those cases to another facility that requires no CON to grant him privileges.

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e. Review of Dr. Woodbury's resume revealed that he is Board Certified in Physical Medicine and Rehabilitation and that he was licensed in Tennessee from 1993-1996. Please clarify the following:

--Is there a specific board certification for pain management specialists that Dr. Woodbury either currently holds or can apply for?

Subspecialty Board certification in Pain Management is available. Three organizations can grant it--the specialist's own Board (for example, the Board for Anesthesiology), the American Board of Pain Management, and the American Board of Interventional Pain Physicians. They vary in their requirements with respect to such things as prior completion of a fellowship in pain management; but all three do require that the candidate pass examinations.

Dr. Woodbury is a Board-certified Physical Medicine and Rehabilitation specialist, with many years of training and experience in performing pain management cases. He has not pursued that subspecialty certification. He is considering pursuing it beginning in CY2016.

-- If Dr. Woodbury is not presently a Tennessee licensed physician, how can the project proceed at this time?

Dr. Woodbury is currently licensed to practice medicine in Tennessee. He has been licensed here for 22 years, since 1993. Attached after this page is verification of his licensure, from the Tennessee Board of Medical Examiners. An out of date resume was provided by Dr. Woodbury in the original application, for which the applicant apologizes.

f. What potential exists for other physicians that may also want to perform their pain management cases at the facility or be available to provide coverage for Dr. Woodbury in his absence? Please clarify why those physicians are not planning to use the ASTC at this point in time. Where are those procedures currently being performed?

Dr. Reeves is willing to let other pain management physicians work at the RESC on the same terms as Dr. Woodbury; but only Dr. Woodbury is requesting privileges. The applicant is unable to respond to the last question in this subsection because no other physicians are known.

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g. If the project is approved, what is the anticipated impact, if any, to those hospitals whose 2013 JAR reflects that services were provided to outpatient pain management patients, including Wellmont Bristol and Wellmont Holston Valley Medical Centers in Sullivan County and Johnson City Medical Center in Washington County?

It will have no impact on area hospitals. As stated, the cases that Dr. Woodbury proposes to bring to the RESC are coming out of the East Tennessee Brain and Spine offices, not out of any licensed facility.

4. **Section C, Need Item 1(Specific Criteria –ASTC)**

The applicant's reasons for not completing the responses to the criteria with the exception of optimal capacity are noted. However, Agency statute requires a CON for the addition of clinical specialties to the ASTC approved in CN1209-045A limited to ophthalmology. At a minimum, please provide response to the criterion that address capacity/utilization pertaining to the proposed pain management surgical cases and that address impact on other pain management providers in the service area. Suggestions include the following criterion:
Need-Items 1 – 4
Other- Items 8, 9 and 11 (a) and (c)

Note: when addressing utilization in the items included in the Need, it appears that the 1,867 cases/room optimal utilization standard for a procedure room might apply based of the types of proposed pain management surgical cases described in the project. If not, please briefly explain the rationale for using the OR criterion.

Responses are provided on the following pages. The procedure room standard does not apply here because there is not a procedure room available at the Reeves Eye Surgery Center. The procedure room at the RESC is dedicated exclusively to laser procedures, as explained in the prior approved CN1209-045A. The room is only 11 feet wide, and is too small to accommodate the O.R. table and C-arm that are needed for pain management procedures along with other equipment.

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CERTIFICATE OF NEED STANDARDS AND CRITERIA
FOR
AMBULATORY SURGICAL TREATMENT CENTERS

Assumptions in Determination of Need

The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

1. Operating Rooms

a. An operating room is available 250 days per year, 8 hours per day.
b. The estimated average time per Case in an Operating Room is 65 minutes.
c. The average time for clean up and preparation between Operating Room Cases is 30 minutes.
d. The optimum utilization of a dedicated, outpatient, general-purpose Operating Room is 70% of full capacity. 70% x 250 days/year x 8 hours/day divided by 95 minutes = 884 Cases per year.

2. Procedure Rooms

a. A procedure room is available 250 days per year, 8 hours per day.
b. The estimated average time per outpatient Case in a procedure room is 30 minutes.
c. The average time for clean up and preparation between Procedure Room Cases is 15 minutes.

The optimum utilization of a dedicated, outpatient, general-purpose outpatient Procedure Room is 70% of full capacity. 70% x 250 days/year x 8 hours/day divided by 45 minutes = 1867 Cases per year.

Determination of Need

1. Need. The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need.[2] An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, *except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions.* It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and

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explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

Section C(I).6 of the application, pp. 24-25 of the application, documented that in CY2015 this one-O.R. facility will perform 962 *ophthalmic* surgical cases per year in its O.R., without any pain management cases. That utilization will exceed the minimum 884 cases recommended in this criterion, without any pain management cases being performed in that O.R.

Section C(I).6 of the application also projected that in Years One and Two of the project, the *total* surgical cases performed in this one O.R. will be 1,787 and 1,812 cases, respectively. This exceeds the minimum (884 cases) for one O.R. by more than 100%.

Given that both its current and its projected caseloads exceed this criterion's utilization standard for an O.R., the RESC is not required by the criterion to additionally perform a time analysis of O.R. utilization.

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

In light of criterion #1 above, which waives an O.R. case time analysis for an applicant who meets the State Plan's case requirements, this criterion does not seem applicable to this project. A time analysis seems helpful only if an applicant is trying to justify additional O.R. capacity, which this application does not propose.

However, if a response to this criterion is considered necessary, an efficiency time analysis of the use of the O.R. for the proposed pain management cases is provided on the following page. It is done only for three days of O.R. time, which is all that is available to this project. Ophthalmology cases done on the other two days are not part of this application and should not need to be addressed here. There will not be a day on which both eye and pain cases will share the O.R. schedule; those two types of cases will be scheduled on separate days.

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a. Availability of Schedulable O.R. Time (one O.R.):
3 days per week X 480 minutes per day X 50 weeks per year = *72,000 minutes available*

b. Pain Management Case Requirements:
Average case time = 22 minutes
Room turnaround time = 10 minutes
Total time required per case = 32 minutes

567 cases per year X 32 minutes = *18,144 minutes required*

c. Efficiency of use of available O.R. at RESC, three days per week:
18,144 minutes for pain cases / 72,000 minutes available = 25.2% utilization

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available[3]) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed.

The application stated that the RESC has O.R. time available for pain management cases three days per week. Table Five on page 23 of the application provided all available data on the surgical room utilization of other service area surgery centers that provide pain management services. It shows that some capacity may be available at several area surgery centers. Although the applicant has no access to other facilities' surgical schedules, the applicant doubts that several days per week availability of an O.R. exists anywhere other than at the RESC itself. It is RESC's broad availability and flexibility that is attractive to Dr. Woodbury.

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Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

There are no nearby out-of-State or unstaffed O.R.'s known to the applicant.

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns.

There will be no impact on other licensed facilities. The cases in this project will be relocated from a private physician practice, not from another licensed facility.

A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

This criterion is not applicable. First, because this is not an application to establish an ASTC. Second, because it is not an application to *"expand existing services"* of an ASTC within the intent of this criterion (the intent being an expansion of surgical services capacity).

The applicant's reading of this criterion is that it focuses entirely on restricting addition of ambulatory surgical rooms, rather than on any change in types of surgeries within existing rooms. This interpretation seems logical, because an ASTC cannot "expand an existing service" in any way other than adding room capacity to deliver more of that existing service. Adding a *new type* of service (e.g. pain management) is not an expansion of an *existing* service.

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Other Standards and Criteria

8. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Tables Six-A and -B on page 24 of the application contained a minor error in the Year One ophthalmology cases of the RESC: The Year Two ophthalmology cases will be 1,245 cases, not 1,244. A revised page 24R is attached after this page.

The table below provides the quarterly distribution of caseloads consistent with the projection methodology in C(I)6, pages 24R and 25.

The pain management cases were projected to be 567 in both Years One and Two. This number has been distributed approximately equally among the four quarters of each year, with a one-case variation in the first quarter to maintain whole numbers in the case data.

The ophthalmology cases were projected to be 305 per quarter in Year One, increasing 2% in Year Two. So Years One and Two below show an approximately equal quarterly distribution, with Year Two given a one-case variation in the fourth quarter to maintain whole numbers in the case data.

Year One	**Ophthalmology**	**Pain Management**	**Total Cases**
Q1	305	141	446
Q2	305	142	447
Q3	305	142	447
Q4	305	142	447
Total Year One	1220	567	1787
Year Two			
Q1	311	141	452
Q2	311	142	453
Q3	311	142	453
Q4	312	142	454
Total Year Two	1245	567	1812

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9. Patient Safety and Quality of Care; Health Care Workforce.

a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

The applicant is already Joint-Commission certified and intends to maintain that certification.

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

Physicians

The project will allow pain management cases to be performed in the facility. At this time only one such specialist, Dr. Wayne Woodbury, has requested privileges and committed to perform some of his cases in the facility. He is a Board-certified Physical Medicine and Rehabilitation specialist. The staff required to support his cases are nurses and a CRNA (who are already available at the facility), and a radiologic technologist for C-arm cases (who will be contracted PRN locally).

Dr. Woodbury will be admitted to the medical staff after demonstrating to the satisfaction of the ASTC's Governing Board that he has appropriate qualifications as defined by the ASTC's Credentialing process. Some of the factors bearing on this are identified in the Standard Credentialing Form attached at the end of this letter (14-page document).

Other Staff

A revised page 43R is attached after this page, to correct an erroneous statement that the rad tech would be a "full-time" employee. That is not the case. The tech will be a part-time contracted employee as shown in Table Twelve, page 44 of the application. The CRNA and nurses required for the project are already contracted and working at the ASTC.

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11. Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration *to an applicant*:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

This is not a Medically Underserved Area, given that Washington County has the largest concentration of medical services and professionals in Upper East Tennessee.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; ...

The applicant is contracted with all TennCare area MCO's and with Medicare. So is Dr. Wayne Woodbury.

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(RESUMPTION OF REVIEWER'S SUPPLEMENTAL QUESTIONS)

5. Section C, Need Item 3

Please expand the table showing patient origin by county of residence of Dr. Woodbury's pain management patients for the most recent 12-month period.

The table below provides the requested patient origin for pain cases only. Dr. Woodbury's patient origin data was provided for Jan-Aug 2015; prior data is not available.

Projected Patient Origin of Reeves Eye Surgery Center Pain Management Cases Only, CY2016 - CY2017			
County	**Percent of Total**	**Year One Cases**	**Year Two Cases**
Sullivan	20.0%	113	113
Washington	17.2%	98	98
Hawkins	11.0%	62	62
Greene	10.6%	60	60
Carter	7.9%	45	45
Wise (VA)	7.8%	44	44
Dickenson (VA)	4.8%	27	27
Scott (VA)	3.8%	22	22
Subtotal PSA	**83.1%**	**471**	**471**
Other States & Counties <5%	16.9%	96	96
Total All Counties	**100.0%**	**567**	**567**

Source: Dr. Woodbury's practice records for patient origin 2015.

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6. **Section C, Need Item 6**

Please indicate the number of pain management surgeries that Dr. Woodbury performed at other ASTCs, hospitals or pain management cases in the service area by CPT code, if possible, in 2013, 2014 and 2015 (year to date). In your response, please identify facilities Dr. Woodbury currently holds privileges.

Dr. Woodbury's neurosurgical group practice is not part of this application. Private practices do not report their physicians' case data to the State. The data requested is confidential. In the past it has been the consistent practice of the HSDA to recognize that, and to require only the physician's affirmation that he has, and will bring to the project, the cases stated in the application. If needed, attached at the end of this letter is Dr. Woodbury's support letter for this application, stating his ability and intention to perform at RESC the cases that this application projects. Currently Dr. Woodbury has surgical privileges at The East Tennessee Ambulatory Surgery Center in Johnson City.

7. **Section C. Economic Feasibility Item 2**

The October 14, 2015 letter from a representative of First Citizens Bank attesting to financing through a commercial loan amortized over a term of 5 years is noted. Review of the Deed of Trust in the application attachments indicates that approximately $1.2 million of funding was provided by the Stat of Franklin Bank for the establishment of the ASTC approved in CN1209-045A. Please briefly describe the need for a different commercial lender for the small amount of capital needed for this project.

Dr. Reeves has long-standing relationships with First Citizens Bank and it was his lender of choice based on most favorable terms.

8. **Section C. Economic Feasibility Item 2 (Historical and Projected Data Charts)**

a. The charts are noted. In terms of Gross Operating Revenue, are professional fees of the pain management physician included in the amounts shown in the chart or are these charges billed separately by the physician?

The professional fees of the pain management physician are billed separately by the physician.

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b. Compared to the projected gross charges by specialty shown in Table 9, it appears that the average gross operating revenue per surgical case is higher in the Projected Data Chart - approximately $4,198/case in Year 1 increasing by 28.2% to $5,381/case in Year 2. Please describe the rationale used to determine projected gross revenues at the higher rates.

The $4,198 average gross revenue per case was in CY2015 in the Historic Data Chart. The Projected Data Chart shows $5,381 in Year One and $5,388 in Year Two. The increase after CY2015 is due primarily to the introduction of pain management cases.

The Projected Data Chart's average gross revenue per case is higher than individual procedure charges suggest in Table Nine because a case can include more than one procedure. Pain management cases usually include two and sometimes three procedures per case. For those that do, the charge would be at a 2 or 3 multiple per case. For example, a bi-lateral spine injection (62310) would have a charge of $4,550, and $6,825 if a third level was performed in addition to the first set. The Projected Data Chart's gross revenue projections assume that 90% of all pain cases will have multiple procedures, based on the experience of similar surgery centers (the projections were prepared by consultants who manage surgery centers that perform pain management cases). So total gross revenues can be expected to increase greatly between CY2015 (when only eye surgeries are being performed) and the next two years (when pain management cases will be added to the mix).

c. The applicant designated $46,017 for Year 1 in the Other Expenses, Line D.9 section of Projected Data Chart for professional fees compared to $46,973.71 in the Historical Data Chart for 2015 estimated. Given the proposed addition of the pain management physician, please briefly clarify the reason for the small decrease in this expense category.

Professional fees for Year One included consulting and legal costs, most of which were nonrecurring. For Year Two there were no budgeted fees for additional consulting. Budgeted professional fees for Year Two represents fees that are associated with Medical Billing Services only. Please note that these fees are not physician professional fees paid to the medical staff. Physicians will do their own billing. and collections.

d. The applicant did not designate an amount for credentialing expenses under D.9 in Year 1. Please clarify why this amount would not be included in the applicant's 2016 fiscal operating period.

Credentialing expenses for the physicians and the CRNA were included in both the Historic and Projected Cost Charts' itemized expenses. They are in the Credentialing line item in the Historic notes page, and are in the "Miscellaneous" line item in the Projected notes page.

Credentialing expenses for the two physicians and the CRNA actually are very small--several hundred dollars each in future years. The Historic Data Chart's "credentialing" line items for 2014 and 2015 were much larger because that is where the ASTC accountants at that time put Joint Commission accreditation process fees, and other related costs. Joint Commission initial and other accreditation fees were $1,700 in 2015 and $4,163 in 2015. Strictly speaking, that line item should have been titled "Credentialing and Related Expenses".

9. Section C, Economic Feasibility, Item 9

Please complete the following table of reimbursement in different settings for the proposed highest use pain management surgical cases involved in this project.

Pain Management Procedures	CPT Code	Office Practice	Certified Pain Management Clinic	ASTC	Hospital
Injection Spine C/T	62310	$142.63	$217.59	$321.05	$585.68
Injection Spine L/S	62311	$123.16	$258.19	$321.05	$585.68
Injection Foramen Epidural	64483	$118.06	$242.83	$321.05	$585.68
Injection Paravert C/T	64490	$92.21	$210.98	$321.05	$585.68
Destroy Lumb/Sac Facet	64635	$190.19	$425.48	$702.24	$1,281.08

* *The table provides 2015 actual, area-specific reimbursement data for ASTC's and hospitals; but does not have access to 2015 data for the office and CPMC settings. The data shown for the latter are national averages for 2014.*

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2:20 pm

10. Section C. Contribution to Orderly Development Item 3.
Please briefly clarify the arrangements planned for coverage by an anesthesiologist or CRNA that may be required for the proposed pain management surgical cases.

The CRNA is already contracted to the Reeves Eye Surgery Center. The CRNA's hours will be increased to accommodate the additional cases.

Additional Items From the Applicant

Attached after this page is Dr. Woodbury's support letter attesting to the cases he expects to perform at the RESC.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please email or telephone me so that we can respond in time to be deemed complete.

Respectfully,

John Wellborn

John Wellborn
Consultant

SUPPLEMENTAL #1
October 28, 2015
2:20 pm

October 26, 2015

Melanie Hill, Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Reeves Eye Surgery Center

Dear Mrs. Hill:

Dr. Donny Reeves has filed a Certificate of Need application to add Pain Management to his scope of services at Reeves Eye Surgery Center in Johnson City.

I am writing in support of that proposal. I have a large, well-established practice in the Tri-Cities area, as a member of East Tennessee Brain and Spine, the largest neurosurgical group practice in the area.

It is necessary for me to relocate, from the practice offices to a licensed surgery center, a group of cases that are no longer feasible to perform in the office setting. I estimate performing at least 567 pain management cases per year at the Reeves Eye Surgery Center over the next two years, if CON approval is obtained and I am granted surgical privileges there.

Sincerely,

Wayne Woodbury, M.D.

SUPPLEMENTAL #1
October 28, 2015
2:20 pm

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:
Reeves Eye Surgery Center

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John L Wellborn
Signature/Title
CONSULTANT

Sworn to and subscribed before me, a Notary Public, this the 27th day of October, 2015, witness my hand at office in the County of DAVIDSON, State of Tennessee.

Jan M. Danforth
NOTARY PUBLIC

My commission expires July 2, 2018.

HF-0043

Revised 7/02

JAN M. DANFORTH
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires July 2, 2018

Supplemental #2
-Copy -

Reeves Eye Surgery Center

CN1510-046

DSG Development Support Group

SUPPLEMENTAL #2
October 29, 2015
3:45 pm

October 27, 2015

Jeff Grimm, HSD Examiner
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: CON Application #1510-046
Reeves Eye Surgery Center

Dear Mr. Grimm:

This letter responds to your recent request for additional information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

3.(b). Section B, (Project Description) Item II
The response with illustration containing descriptions of procedures and eligible patient conditions is noted. Please discuss the measures the ASTC will develop and implement to ensure safety of patients that require steroid injections. In your response, please include a discussion of safeguards that apply to the process that will be followed for the procurement of injectable steroid products from authorized suppliers, inspection, secure storage prior to use, and precautions by physicians and all appropriate clinical staff of the ASTC prior to administration to patients.

The two steroids used in pain management cases will be methylprednisolone and betamethasone (common brand names are, respectively, Depo-Medrol and Celestone). They will not be obtained from a compounding laboratory because those facilities are not regulated by the FDA, but rather by State agencies. The RESC intends to order these pharmaceuticals from McKesson Medical-Surgical, Inc., a national distributor, who in turns acquires the medications from large manufacturers like Pfizer, which are heavily FDA-regulated. The medications will be shipped to the RESC in boxed vials with an NDC (National Drug Code) on every label on every vial.

When they arrive the vials are unboxed, counted, and inspected to make sure that their caps have not been compromised, and that all vials are intact as manufactured. They are inventoried and stocked in a locked cabinet. The keys to that cabinet are kept in a lockbox with strictly limited access. On the day of use, the R.N. who will be in the O.R. with Dr. Woodbury will be given the appropriate number of vials as requested by Dr. Woodbury. These are multi-use vials. At the

4219 Hillsboro Road, Suite 203
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Fax 615.665.2042

SUPPLEMENTAL #2
October 29, 2015
3:45 pm

end of the surgical day, vials not used are returned to the inventory and vials used up are discarded. A weekly review is made of the use and the inventory of these steroid pharmaceuticals to ensure their security.

4. **Section C, Need Item 1(Specific Criteria –ASTC)**
The responses are noted. However, a response for Item 4 of the standards must be provided since the project is expanding the surgical services approved in Reeves Eye Surgery Center, CN1209-045A limited to ophthalmology. Please document utilization at 70% or above for the existing ASTCs in the primary service area that perform pain management procedures.

Two of the eight surgery centers who perform pain management services in the project's primary service area exceeded 70% utilization in 2014, as defined by the State Health Plan standard of 884 cases per surgical room. For the specific utilization of each of them, please see Table Five, page 23 of the original application.

The same table shows that the area average for these facilities was 675 cases per room, which is 53.4% occupancy under current State Health Plan standards (1,263 cases per room is 100% occupancy).

6. **Section C, Need Item 6**
The response is noted. Dr. Woodbury appears to have surgical privileges at 1 of the 8 ASTCs in the PSA that perform pain management cases (East Tennessee Ambulatory Surgery Center in Johnson City). As shown on the table on page 23 in the application, only 3 of 8 ASTCs in the PSA that perform pain management surgical cases appear have utilization at levels than 40% or higher of total cases during 2012-2014. It remains unclear why Dr. Woodbury would not transfer his in-office cases to the more heavily utilized ASTCs with pain management services in the PSA in lieu of the applicant ASTC that has no prior experience with pain management surgical cases. Please clarify.

SUPPLEMENTAL #2
October 29, 2015
3:45 pm

Actually, key personnel in the RESC do have experience in pain management surgical cases. The Administrator of the RESC, Michael Manning, was Clinical Director of a single-specialty pain management ASTC for 3.5 years. An R.N. on the contract staff at the RESC, who will be utilized in this project, has 6 years of experience working in pain management surgery in the O.R.

Dr. Woodbury is confident that the RESC staff is competent and will be fully prepared to assist him in performing his cases. With that not in doubt, his choice of the RESC--as stated before--is due to his having much more O.R. scheduling flexibility and availability for his cases, than at other ASTC's in the area.

Additional Item From the Applicant

Attached after this page is an updated resume from Dr. Woodbury reflecting more current licensure data.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please email or telephone me so that we can respond in time to be deemed complete.

Respectfully,

John Wellborn
Consultant

SUPPLEMENTAL #2
October 29, 2015
3:45 pm

Wayne M. Woodbury M.D.
219 Holland View
Jonesborough, TN 37659
(912) 596-2341
drwoodbury@gmail.com

Education

Medical College of Wisconsin Affiliated Hospitals **Residency/Internship** Physical Medicine and Rehabilitation	1989-1993
Medical College of Wisconsin Affiliated Hospitals **Doctor of Medicine**	1989
Arizona State University **B.S. Microbiology** Graduate Magna Cum Laude National Honor Society	1985

Work Experience

East Tennessee Brain & Spine Center	2014-present
Zion Pain Management St. George, UT	2013-2014
Memorial Health University Hospital Physicians	2010-2013
Center for Advanced Pain Management	2006-2010
Neurological Institute of Savannah	1996-2006
Out Patient Medical Director	1993-1996
Franklin Rehab, Johnson City, TN Chief Resident PM&R Training	1992-1993
Psychiatric Officer Zablocki Veteran's Hospital Milwaukee, Wisconsin	1991-1993

Licensure

State of Tennessee	#024642	2014-current
State of Utah	#8397828-8905	2013-current
State of Georgia	#0429787	1996-current
State of Tennessee	#024642	1993-1996
DEA	#BW3367465	4-26-04-current
DEA Narcotic Dependency	#XW3367465	4-26-04-current

Board Status Board Certification in Physical Medicine and Rehabilitation with Maintenance of Certification February 2014

Related Experience/CME

Consultant—Meeting of The Minds—Medtronics 2000
Orlando, FL

Course Completion, Narcotic Dependency American Psychiatric Association
Savannah, GA 2004

Course Completion, Radio Frequency Neuroalblation 2005
Phoenix, AZ

4-Day Interventional Pain Management Anatomical Workshop 2007
Hilton Head, SC

University of Pennsylvania School of Medicine 2007
MEDPAGE Today Briefing
Savannah, GA

Rapid-Rheumatoid Arthritis: Primary Care Initiative
For Improved Diagnosis and Outcomes
Savannah, GA 2007

Strategies for Reducing Low-Density Lipoprotein
Cholesterol 2007
Savannah, GA

Treatment Regimens for RA, CV, and GI Risks 2007

Family Practice Resident Lecture on Generation, Propagation 2012
And central interpretation and modulation of pain

Publications and Papers

"Temperature Monitoring During EMG/NCS of the Median Nerve"
Muscle and Nerve 1993

Languages
English
Spanish

Memberships/Honors

SUPPLEMENTAL #2
October 29, 2015
3:45 pm

American Academy of Physical Medicine and Rehabilitation

Southern Society of Physical Medicine and Rehabilitation

Wilderness Medicine

Better Business Bureau

Consumer's Research Counsel of America—Top Physicians 2006

American Medical Association

Georgia Medical Association

SUPPLEMENTAL #2
October 29, 2015
3:45 pm

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

Reeves Eye Surgery Center

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John L Wellborn

Signature/Title
CONSULTANT

Sworn to and subscribed before me, a Notary Public, this the 29th day of October, 2015, witness my hand at office in the County of DAVIDSON, State of Tennessee.

Jan M Danforth

NOTARY PUBLIC

My commission expires July 2, 2018.

HF-0043

Revised 7/02

JAN M. DANFORTH
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires July 2, 2018

COPY

ADDITIONAL INFORMATION

Reeves Eye Surgery Center

CN1510-046

DSG Development Support Group

January 12, 2016

Jeff Grimm, HSD Examiner
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: CON Application #1510-046
Reeves Eye Surgery Center

Dear Mr. Grimm:

As discussed with Mr. Farber this morning, this letter is to correct an error in the application with respect to the projected cases per O.R. stated on page 8 of the first supplemental responses dated October 27, 2015. But as noted below, the correction does not change the fact that the projected utilization of the facility will substantially exceed the utilization targets in the State Health Plan.

The second paragraph on that supplemental response page 8 states that "*.... in Years One and Two of the project, the total surgical cases performed in this one O.R. will be 1,787 and 1,812 cases, respectively. This exceeds the* [State Health Plan] *minimum (884 cases) for one O.R....*"

The 1,787 and 1,812 cases cited in that statement were from the fourth column of Table Six-A, page 24 of the application. But that column in Table Six-A erroneously included Yag Lasers, which are performed in the ASTC laser procedure room, not its O.R. The Year One and Year Two total ophthalmic and pain management cases to be performed in the O.R. will be 1,495 and 1,515 cases, respectively.

Page Two of this letter provides clarified and corrected revisions of Tables Six-A and Six-B from page 24 of the application.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please email or telephone me so that we can respond in time to be deemed complete.

Respectfully,

John Wellborn

John Wellborn
Consultant

4219 Hillsboro Road, Suite 203
Nashville, TN 37215
jwdsg@comcast.net
Tel 615.665.2022
Fax 615.665.2042

Page Two
January 12, 2016

CORRECTIONS OF TABLES 6A-B, PAGE 24 OF CON APPLICATION

REVISED Table Six-A: Reeves Eye Surgery Center (1 O.R.) Historical and Projected Cases			
Year	Ophthalmology Cases in O.R.	Pain Management Cases in O.R.	Total Cases & Cases per O.R.
CY2014	296	0	
CY 2015	731	0	
CY 2016--Year 1	928	567	1495
CY 2017--Year 2	948	567	1515

Source: ASTC Management.
Note: Opthalmology Cases in O.R. are total cases from Table Six-B below, excluding Yag.

REVISED Table Six-B: Reeves Eye Surgery Center Historical and Projected Ophthalmology Cases By Type--Whole Facility					
Year	Cataract (In O.R.)	Blepharoplasty (In O.R.)	Yag Laser (In Procedure Rm)	Other (In O.R.)	Total
CY 2014	273	12	93	11	389
CY 2015	674	38	231	19	962
CY 2016--Yr 1	856	36	292	36	1220
CY 2017--Yr 2	874	37	297	37	1245

Source: ASTC Management.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:

Reeves Eye Surgery Center -- Addition of Pain Management

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John Wellborn

Signature/Title
CONSULTANT

Sworn to and subscribed before me, a Notary Public, this the 12th day of January, 2016, witness my hand at office in the County of DAVIDSON, State of Tennessee.

NOTARY PUBLIC

My commission expires July 2, 2018.

JAN M. DANFORTH
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires July 2, 2018

HF-0043

Revised 7/02

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Johnson City Press, which is a newspaper of general circulation in Washington County, Tennessee, on or before Saturday, October 10, 2015, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Reeves Eye Surgery Center (an ambulatory surgical treatment center), owned and managed by Reeves Eye Surgery Center, LLC (a limited liability company), intends to file an application for a Certificate of Need to initiate pain management surgical services in its existing facility at 2328 Knob Creek Road, Suite 500, Johnson City, Tennessee 37604, at a project cost estimated at $176,000.

The applicant facility is licensed by the Board for Licensing Health Care Facilities, Tennessee Department of Health, as a single-specialty ambulatory surgical treatment center limited to ophthalmology. It has one (1) operating room and one (1) laser procedure room. The project does not require construction, does not add surgical room capacity, and does not contain major medical equipment or initiate or discontinue any health service other than pain management.

The anticipated date of filing the application is on or before October 15, 2015. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

The anticipated date of filing the application is on or before October 10, 2015. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

John L. Wellborn 10-6-15 jwdsg@comcast.net

(Signature) (Date) (E-mail Address)

BRADLEY ARANT BOULT CUMMINGS LLP

Michael D. Brent
Direct: 615.252.2361
Fax: 615.252.6361
mbrent@babc.com

January 11, 2016

VIA EMAIL AND U.S. MAIL

Ms. Melanie M. Hill
Tennessee Health Services & Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

RE: Reeves Eye Surgery Center, CN1510-046

This firm has been engaged to represent Donny Reeves, MD, and Reeves Eye Surgery Center regarding the presentation to the Health Services and Development Agency later this month for the above-referenced application. As noted in the letter to you from Dan Elrod, counsel for Mountain States Health Alliance and its affiliates ("MSHA"), MSHA originally had concerns the proposal would result in the Reeves Eye Surgery Center becoming a full service, multi-specialty ambulatory surgery center. However, as noted in my emails with you and Dan, the intent of the pending application is to add only the specialty of pain management, so if the pending application is approved the facility would only be allowed to perform ophthalmology and pain management procedures.

Please let me know if you have any questions, and we look forward to seeing you on January 27.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

Michael D. Brent

MDB/ced

cc: Dan Elrod, Esq. (via email)
Mr. John Wellborn (via email)
Donny Reeves, MD (via email)

7/3775014.1

January 11, 2016

State of Tennessee
Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

Re: Public support for the Certificate of Need (CON) application filed on October 15, 2015 by the Reeves Eye Surgery Center.

Dear Board Members,

Highlands Physicians Inc. (HPI) fully supports expanding the scope of services provided at the Reeves Eye Surgery Center.

HPI is a clinically integrated independent practice association (IPA) using a collaborative model to provide coordinated medical care to the residents of Northeast Tennessee and Southwest Virginia. Our membership includes more than 1,000 physicians and 500 other practitioners spread across 156 practices.

HPI maintains a strategic alliance with Wellmont Health System ("WHS") through the Highlands Wellmont Health Network, a URAC accredited Physician Hospital Organization (PHO) formed over 20 years ago. The Reeves Eye Surgery Center is fully accredited and participates in providing care to individuals/employers who access this network.

HPI supports our affiliated providers in expanding services that improve access and quality, while lowering cost through competitive pricing.

Sincerely,

Brant Kelch

Brant Kelch
Executive Director

additional support letter for file

2004 American Way, Suite 201 ▪ Kingsport, Tennessee 37660
Phone 423-392-1920 ▪ Fax 423-392-0006 ▪ www.highlandsphysicians.com

BUTLER | SNOW

January 11, 2016

VIA HAND DELIVERY

Melanie M. Hill
Executive Director
Tennessee Health Services and
Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: Reeves Eye Surgery Center, CN1510-046

Dear Ms. Hill:

This letter is submitted on behalf of Mountain States Health Alliance ("MSHA") relative to the project referenced above.

When the project first came to the attention of MSHA, it was concerned the proposal would result in the Reeves Eye Surgery Center becoming a full service, multi-specialty ambulatory surgery center. Subsequently, representatives of MSHA met with Dr. Reeves and his practice manager, at which time MSHA representatives received assurances that the intent of the application is to add only the specialty of pain management. Thus, it is MSHA's understanding that if the project is approved the scope of the facility will be limited to ophthalmology and pain management. Based on this understanding, MSHA does not have objections to the project, but reserves its rights to express opposition if the scope of the project is not limited as described.

We appreciate the opportunity to convey MSHA's position on this project.

Very truly yours,

BUTLER SNOW LLP

Dan H. Elrod

clw
cc: Mike Brent (via email)
John Wellborn (via email)
Tony Benton (via email)
Allison Rogers (via email)

The Pinnacle at Symphony Place
150 3rd Avenue South, Suite 1600
Nashville, TN 37201

DAN H. ELROD
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F 615.651.6701
www.butlersnow.com

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954

DATE: December 31, 2015

APPLICANT: Reeves Eye Surgery Center
2328 Knob Creek Road, Suite 500
Johnson City, Tennessee 37604

CN1510-046

CONTACT PERSON: John Wellborn
Development Support Group
4219 Hillsboro Road, Suite 210
Nashville, Tennessee 37215

COST: $175,881

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:
Reeves Eye Surgery Center, LLC, located at 2328 Knob Creek Road, Suite 500, Johnson City, Tennessee 37604, seeks Certificate of Need approval to initiate pain management surgical services in its existing facility.

The applicant facility is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities, as a single-specialty ambulatory surgical treatment center limited to ophthalmology. The facility has one operating room and one laser procedure room, The project does not require construction, does not add surgical capacity, and does not contain major medical equipment or initiate or discontinue any health service other than pain management.

The applicant facility is wholly owned by the Reeves Eye Surgery Center, LLC, whose only member (owner) IS Dr. Reeves. Dr. Reeves does not own any interest in any other licensed facility. This project will not change the current facility ownership or the membership interest in the owning LLC.

The total project cost is $175,500 and will be funded through a commercial loan as document in a letter from First Citizens Bank located in Attachment C, Economic Feasibility-2.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

NEED:
The applicant's service area includes Carter, Green, Hawkins, Sullivan, Washington counties in Tennessee, and Wise County in Virginia. The 2016-2020 population projections for the counties in Tennessee are as follows:

	2016 Population	2020 Population	% of Increase/ (Decrease)
Carter	58,139	58,375	0.4%
Greene	72,512	74,656	3.0%
Hawkins	58,771	59,784	1.7%
Sullivan	158,938	159,749	0.5%
Washington	133,817	140,905	5.3%
Total	482,177	493,469	2.3%

Tennessee Population Projections 2000-2020, June 2010 Revision, Tennessee Department of Health, Division of Health Statistics

The Reeves Eye Surgery Center is a single-specialty ophthalmology ambulatory surgical treatment center (ASTC). The ASTC serves only the patients of Dr. Donny Reeves, an established ophthalmologist in the Tri-Cities area. The ASTC opened in 2014 pursuant to CN1510-046. Dr. Reeves provides ophthalmology services to adults and also is a major provider of pediatric ophthalmology services to TennCare children. In addition, he takes emergency room calls at Niswonger Children's Hospital in Johnson City.

The Reeve's ASTC has one operating room that is used for ophthalmology cases only part of the week, because the other days the Dr. is seeing patients in his office. The applicant seeks approval for Dr. Reeves' ASTC to use its operating room for pain management cases not requiring general anesthesia, on days when it is not being used for eye surgery cases. In order to add pain management as a service, a C-arm fluoroscopic unit with related shielding, and an operating room table for use with the C-arm, and a radiofrequency generator will be added.

The facility's single operating room is currently only used two days a week. The facility proposes to grant surgical privileges only to Board-certified physicians qualified to perform pain management. The physician seeking privileges is Dr. Wayne Woodbury, a Board-certified Physical Medicine and Rehabilitation specialist. Dr. Woodbury is the pain management specialist in the region's largest neurosurgery group, East Tennessee Brain and Spine, which has offices in Johnson City and Kingsport. Dr. Woodbury's resume is provided in Attachment C, Need-1.A.3.

This project does not involve any change in ownership interests.

According to the applicant, this project is needed because it will a) improve utilization of surgical room capacity already in place, b) enhance the financial feasibility of an established surgical facility, and c) reduce losses being incurred by a large neurosurgical medical practice in performing these under-reimbursed surgeries in the practice office.

The applicant states that because the project is moving cases from a physician group practice office into a licensed facility, the project cannot adversely impact any other existing facility. Additionally, it will not adversely impact payors, because if Reeves facility is not approve to accept these cases, they will simply be moved to some other surgery facility that is already approved for pain management or multi-specialty cases, where payors will be paying the same reimbursement they would have to the Reeves facility.

The applicant facility believes the inevitable relocation of certain types of pain management procedures out of the physician practice offices into licensed facilities and the improved annual utilization for the existing operating room at Reeves Eye Surgery Center are consistent with the State Health Plan's objective of high efficiency use of existing surgical capacity.

For many pain management procedures, the increasing cost of providing them at a practice office is no longer fully offset by the reimbursement. Many pain management physicians have already moved such procedures out of their practice offices into a licensed surgical facility. These centers (ASTCs) are willing to accept these cases because the facility fee received will typically cover the

costs and provide a small operating margin. Seven area surgery centers where pain management is performed provided 6,634 cases in 2014.

Dr. Woodbury has begun moving some of these cases to other area surgery centers that are already authorized for pain management. Dr. Woodbury would like to be able to utilize Dr. Reeve's surgery center because of its availability three days per week and because of its location.

For Reeves Eye Surgery Center there is the clear benefit of increased utilization of the existing surgical capacity.

TENNCARE/MEDICARE ACCESS:
Reeves Eye Surgery Center participated in the Medicare and TennCare/Medicaid programs. The applicant contracts with TennCare MCOs AmeriGroup, BlueCare, United Healthcare Community Plan and TennCare Select.

The applicant projects year one Medicare revenues of $3,438,358 or 35.76% of total gross revenues and TennCare/Medicaid revenues of $1,278,808 or 13.30% of total gross revenues.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:
The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 27 of the application. The total project cost is $175,881.

Historical Data Chart: The Historical Data Chart is located on page 30 of the application. The applicant reported 389 and 962 cases in 2014 and 2015 with net operating revenues of ($351,209) and ($51,211), each year, respectively.

Projected Data Chart: The Projected Data Chart is located on page 33 of the application. The applicant project 1,787 and 1,812 ophthalmic and pain management cases in years one and two with net operating revenues of $62,437 and $68,776 each year, respectively.

The applicant provided the average charges, deductions, net charge, and net operating income below.

	CY2017	CY2018
Cases	1,787	1,812
Average Gross Charge Per Case	$5,381	$5,388
Average Deduction Per Case	$4,737	$4,744
Average Net Charge	$644	$644
Average Net Charge Per Case	$75	$77

The applicant compares charges with service area facilities on page 36 of the application.

The applicant found no alternative to this proposed project.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:
The applicant has transfer agreements with the Franklin Woods Hospital in Johnson City.

The applicant reports this project is unusual in that it has no negative impact on other providers or payor in the health care system. The project offers the use of available surgery center operating room time to a pain management physician who is going to move a certain bloc of his cases out of the practice office into a local surgery center due to the practice losing money on the cases due to expenses that exceed reimbursement in an office setting.

The physician practice is doing what others are doing and have done. There is no financial gain to the physician in relocating the cases to Reeves Eye Surgery Center, because he has no ownership in Dr. Reeves' facility. However, this project will be very helpful in that it will the significant increase its cases and modestly increase its financial feasibility.

The use of a C-arm for pain management will require the employment of a full time radiologic technician. The full staffing for this project is 4.79 FTE and is illustrated on page 44 of the application.

Reeves Eye Surgery Center is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities and accredited by The Joint Commission.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

AMBULATORY SURGICAL TREATMENT CENTERS

Determination of Need

1. **Need.** The minimum numbers of 884 Cases per Operating Room and 1,867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1,867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to specific type or types should apply for a Specialty ASTC.

   The applicant projects 1,787 cases in year one and 1,812 cases in years one and two of the project.

2. **Need and Economic Efficiencies.** An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

   The applicant provided a time analysis indicating 25.2% utilization.

3. **Need; Economic Efficiencies; Access**. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician

office based surgery rooms (when those data are officially reported and available) OR, all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

The applicant has no access to the schedules of other surgery centers but doubts other facilities have a three day block of time available each week.

There are no known out of state or unstaffed O.R.'s known to the applicant.

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

There will be no impact on other service area providers.

Two of the eight surgery centers who performed pain management services in the primary service area exceeded 70% utilization in 2014, as defined by The State health Plan standard of 884 cases per surgical room. See Table Five, page 23 of the application. The same table shows the area average for these facilities was 575 cases per room which is 53.4% occupancy under The State Health Plan.

8. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Year One	Ophthalmology	Pain Management	Total Cases
Q1	305	141	446
Q2	305	142	447
Q3	305	142	447
Q4	305	142	447
Total	1,220	567	1,787
Q1	311	141	452
Q2	311	142	453
Q3	311	142	453
Q4	312	142	453
Total	1,245	567	1,872

9. Patient Safety and Quality of Care; Health Care Workforce.
a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

The applicant is already Joint Commission certified.

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

Dr. Woodbury will be admitted to the medical staff after demonstrating to the satisfaction of the ASTC's governing board that he has the appropriate credentials.

11. Access to ASTCs. In light of Rule 0720-11.01, this lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration.

This is not a Medically Underserved Area.

c. Who provides a written commitment of intention to contract with at least one TennCare *MCO and, if providing adult services, to participate in the Medicare program; or*
The applicant is contracted will all TennCare area MCOs and with Medicare. Dr. Woodbury is also contracted.